

COUNTY OF MONTGOMERY NORTH CAROLINA



MONTGOMERY COUNTY: A GOLDEN OPPORTUNITY

ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2018

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

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

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COUNTY OF MONTGOMERY NORTH CAROLINA



ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2018

This report was compiled by the County Finance Director, in cooperation with the County Manager and staff of many other departments, primarily Social Services, Public Utilities, Property Tax Administration, Health, Facilities Management, and Administration. Thomas, Judy, & Tucker, CPAs, P.A. printed this report.

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County Manager's Budget Message:

FY2018-2019

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, which reflects the same property tax rate as the current year budget.

Year in Review:

As the current fiscal year nears its conclusion, the Montgomery County Administration is pleased with the performance of our local government during the year. Collectively, the staff of the County strived to provide efficient, effective, and timely services to the residents of the County. In addition, we made progress on the Board of Commissioners' guiding initiatives to develop and grow the County through improvements in the areas of education, legislative support, transportation, and public infrastructure.

Education:

The progress made this year on education has, somewhat belatedly, been met with a growing sense of approval and anticipation from the general public. The Board of Education and the Community College Trustees continue to refine the programming details for the new Central High School and the shared CTE facility to be constructed between the College and the new high school, but the enthusiasm for the new facilities and widespread recognition of the possibilities for providing relevant, first-rate, career ready skills to our students has grown steadily more prevalent and positive. As part of the overall educational initiative, this current year was the first for the Early College program at the College. The results have been overwhelmingly positive, not only from the student centered perspective but also from a financial perspective. College enrollment has increased substantially, which is only the beginning of their growth potential once the Central High School opens in August 2020.

Legislative Support:

Politically, the new legislative district realignments across the State have Montgomery County represented in its entirety by Ken Goodman. While appreciative of the fine work performed by our former Representative Justin Burr, the new alignment is advantageous for the County.

Representative Goodman is a strong supporter of the County and is now a senior member of the House-currently serving his fourth term. Ken had previously pledged his support for one of the Board of Commissioners' primary goals: bringing industrial-capacity natural gas to Montgomery County. Without natural gas, the County has been consistently eliminated by State site developers from consideration for industrial manufacturing expansion or relocation projects. Addressing this job creation obstacle, by bringing pipeline quality gas to Montgomery County, will certainly better position the County for growth.

Likewise, Representative Goodman has voiced his support for another issue of upmost importance to the Board and the County: intervention by the State and the Division of Environmental Quality (DEQ) to reverse the inter-basin transfer (IBT) certificate issued to Union County in 2017. The certificate allows Union County, whose water customers are projected to practice fewer water conservation measures, to withdraw 23 million gallons of water a day from Montgomery County and Lake Tillery. The withdrawal has the very real potential to negatively impact the livelihood of residents and to devalue lake properties. More importantly, the issuance of this IBT certificate increases the likelihood of future withdrawals to feed urban sprawl. The financial and environmental impacts for Montgomery County, and future generations of Montgomery County residents, could be devastating!

As it now stands, the State of North Carolina and the DEQ allowed Union County to purposefully exclude the people of Montgomery County from the scoping process required for issuance of the IBT and acted with complicity in the development of engineering reports to support the Lake Tillery withdrawal over other less environmental impactful alternatives. Representative Goodman has heard the call from the Board of County Commissioners to lead an effort to move DEQ from a politically influenced agency to one charged with reasonable and sustainable environmental protection. For almost two years, the Board has single handedly led this effort of awareness. The IBT certificate fight currently is mired in the legal process, but regardless of the outcome of this single permit, there must be a change in the overall governmental permitting process.

Transportation Accessibility:

The third Commissioner initiative for growth and development in Montgomery County is transportation accessibility. This past year was noted for visible improvements to the major east/west corridor in the County, Hwy 24/27. Connecting Interstate I-73/74 with the urban development from Charlotte, this corridor will increase residential growth and property values (combined, of course, with progress on the other key initiatives of quality education, adequate infrastructure, and public safety). Progression on the four-lane expansion of Hwy 24/27 will be completed by the spring of 2020. In addition to moving transitory traffic more efficiently through the County, the Troy Bypass will also be the primary route for most of the students attending the new Central High.

Right of way acquisition for the remaining two-lane section of the Hwy 24/27 in the County, from Lake Tillery to Troy, is under procurement. Across the river, the Lake Tillery to Albemarle section is already funded and construction is scheduled to start in 2019, with completion in

2023. Once these last two sections are completed, Montgomery County will have four-lane accessibility to the rapidly expanding populations and amenities of Mecklenburg and Cabarrus County areas. From there, Montgomery County will focus its efforts eastward for improved connectivity to Sanford, US Hwy 1, and Fayetteville.

With visible progress being made on our transportation priorities, residential development has increased along Lake Tillery. To accommodate residential growth of any significant amount, however, improvements must be made to existing, and non-existent, public utility systems. The Board of Commissioners has prioritized regionalized utility systems and has solicited partnerships with the Towns to enhance and expand both infrastructure and site development. During this current year, the County received grants to further the planning and development process for these essential projects.

Public Infrastructure:

Working off a premise that residential growth in the County will lead to job creation and eventually to a manufacturing and processing base, public utility systems must be planned out both for the short term and the long term. Public systems are expensive, to say the least, and must be maintained by the customer base. As such, the areas with the most potential for growth have to be identified and prioritized. The lake areas have the most potential for residential expansion: from the obvious amenities of the lake and the national forest and the closer proximity to the Charlotte area. Areas conducive for commercial and industrial development exist along the expanded Hwy 24/27 east/west corridor of travel, as well as along with the north/south interstate I-73/74.

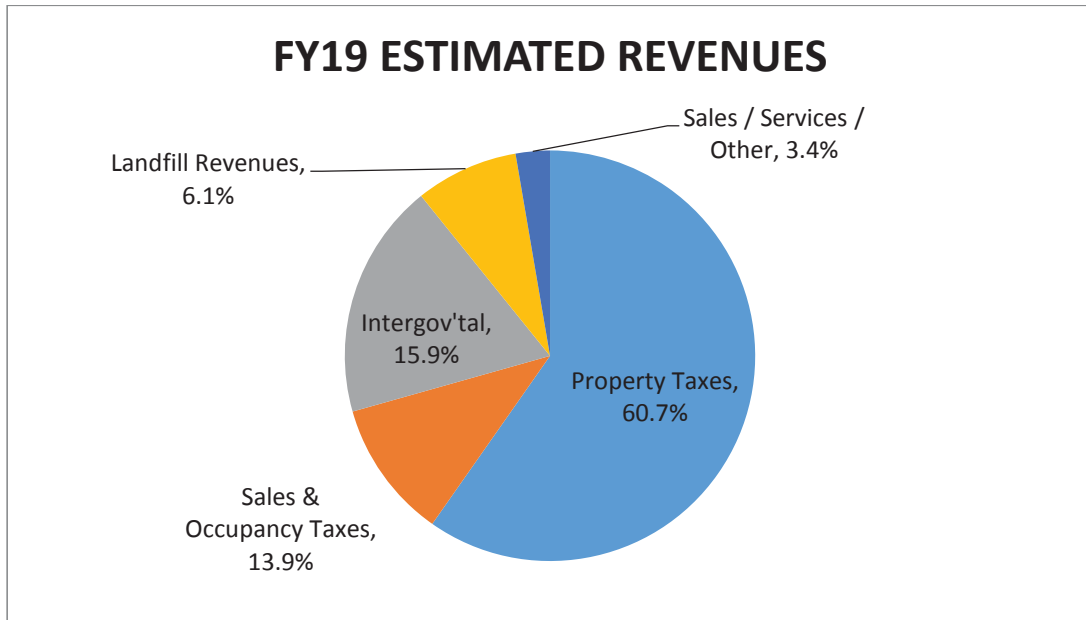
The Board's preference for commercial and industrial development has always been for such expansion to occur within the municipal boundaries. The vitality of our towns is largely dependent on the tax base from industry and the reliance of said industry upon public utilities. Industrial consumption makes residential utility services affordable. The Board of Commissioners desires to assist our Towns with the planning, procurement, and development of strategic sites which will be needed as the maturation model from residential growth to manufacturing base develops across the County.

As stated, it was overall another progressive year for the County and we are optimistic for the year ahead. The FY18-19 budget reflects the continued emphases on the Board's initiatives to build the foundations for prosperity in Montgomery County.

Revenue Projections FY2019:

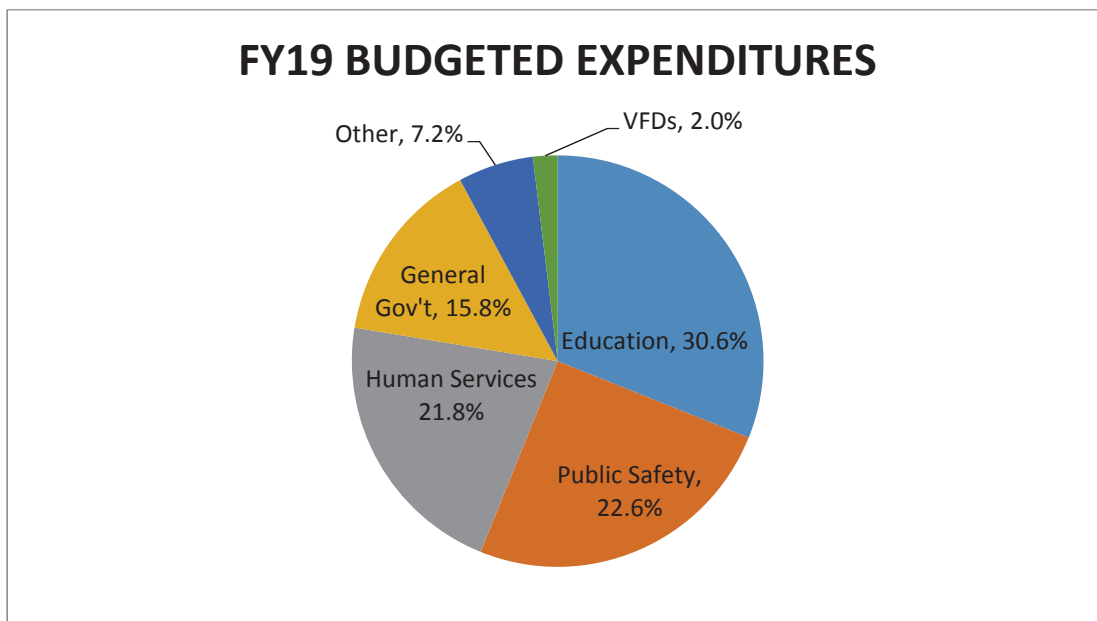
While ad valorem growth is moderate, around two percent, tax collection percentages remain strong, as do sales tax receipts, and other major revenue sources are stabilized. Department leaders are committed to serving the needs of our residents and have done well to control costs in the face of sluggish growth. Of particular note, the County Finance Director has done an extraordinary job, all within the restrictive limits imposed by the State of North Carolina, of investing, monitoring, and redistributing reserve fund balances to yield a healthy interest income. The two largest recurring budgetary increases for the upcoming year, expenditure

increases for employee salaries and EMS contract services, can both be covered with the current level of investment income return. The County appreciates all of the fiscal improvement practices and initiatives that have been implemented by Mr. Crepps.



Funding Categories and Percentages:

Education is the largest single expenditure for the Montgomery County Government. During the current year, the Board approved an additional \$5 million capital allocation to the Central High School/shared CTE facility project in order to forego value-engineering detrimental to the functionality and durability of the new facilities. In total for the FY19 year, approximately 31% of the budget, or \$9.5 million dollars, is expended on education.



By contrast, in 2011 approximately 20% or \$6 million dollars was appropriated for education. Funding for Public Safety has also steadily increased over the same period. Total expenditures in that category have risen by over 15% in the last eight years.

Fund Balance:

The County has a fiscal policy in regards to monetary reserves. Our policy exceeds the minimum balances enforced by the Local Government Commission (division of the NC Treasurer's Office for the State of North Carolina). The County's reserve expectation is 20%. With the subtraction of \$10 million over the last two years to get the new Central High School and shared CTE facility project off the ground, the County fund reserves were reduced but due to sound fiscal management from the Board of Commissioners and County departmental leaders, the County's estimated fund balance remains healthy at \$13 million (approximately 40%).

This reserve will be necessary, as it was with the education project, to plan and execute other Commissioner priorities. Commissioners have an obligation to provide and maintain adequate facilities for the public. During the upcoming year, visible progress should be seen both in improvements in public facilities, as well as in the area of economic development planning.

County Facilities and Economic Development:

The proposed budget includes funding increases for site development and County facilities. If approved, the balance in these capital accounts will be \$1.2 and \$1.9 million dollars, respectively. The balances are the result of the compilation of several years of smaller allocations. While the funds needed to bring County owned public buildings up to-date, as well as the funds needed to plan, procure, and develop commercial/industrial sites, certainly exceed the balances on-hand, the limited resources of the County required the Board to use a methodical, systematic approach to make headway.

The Board foresaw the need for major funding but was not desirous of installment financing. The County's approach to facilities and economic development projects is a pay-go model in which smaller allocations are allowed to accumulate over years and annualized reserves are consolidated in order to address priority needs.

While the desire is certainly strong to expedite development quickly, the Board has maintained a stronger desire to keep the County on a solid fiscal platform. In 2009, the County had a 0% fund balance and the subsequent budget cuts in such areas as facility maintenance only compounded the issue and costs associated with maintaining public structures.

With the funds on-hand, the County plans to start renovations on the basement of the Courthouse this year, as well as mechanical system replacements in the Health/DSS facility. The goal for the historic courthouse is to renovate in phases, thus keeping the facility operational during the process. The occupants of the ground level floor will be relocated to the former First Bank building on Main Street in Troy. Once the ground floor interior is gutted and mechanical systems are updated, the square footage will be utilized as convertible spaces in

order to provide work spaces for upper floor levels departments. In turn, the upper floors departments will be moved to the ground floor while their work areas are renovated and mechanical systems updated. During the last phase of renovation, the ground floor will be reconverted to accommodate the personnel and departments initially shifted to the First Bank building. Among his other duties as Director of Infrastructure and Development, Chris Hildreth will manage this highly involved and orchestrated project.

With the economic development funds, the County wishes to pursue its stated objectives of utility regionalization and commercial/industrial site development. For site development, the County has particular interest, as mentioned previously, for pad-ready areas within townships and visible from either the Interstate or from improved sections of Hwy 24/27. The County wishes to start the process with strategic planning based upon the residential growth-to-industrial growth expansion model. Key to the process will be working with stakeholders in designated areas of fundamental services so that the improved transportation network in the County will allow the public as a whole to access and utilize core services in a centralized area. Fundamental services for residential growth in Montgomery County include areas such as healthcare, shopping, education, and dining.

County Employees:

As noted last year, the County had planned for a small pay increase in FY2019 to offset higher employee insurance premiums which became effective January 1, 2018. For a majority of employees, the proposed pay increase will be \$1,000 per year. For those employees earning over \$50,000 the increase will be 2%. The County's pay ranges (scope and skill classification) will remain unchanged. A handful of long serving employees have reached the upper end of their grade ranges; these employees will receive a one-time \$500 bonus during the first payroll of the new fiscal year.

The County has worked steadily over the past several years on equity in pay and adjusting pay scales for the purpose of recruitment and retention of quality employees. The alignment is based on the aforementioned scope/skill pay chart and, as one would expect in a low-wealth County, most employees are at the low end of their respective position pay ranges. With the proposed salary increase, however, this should no longer be the case.

The pay grade ranges themselves are not being adjusted to coincide with the salary increases. Consequently, employees hired after July 1, 2018 potentially will be earning less than existing employees. Some department leaders have expressed concern about this to County Administration, citing gratitude for the Board's efforts over the past several years to bring equity to pay and positions across County government. Consequently, County administration is giving department leaders the latitude to either hire at the bottom of the scale (for those employees with no previous experience) and increase the employee's pay after 1 year of service (to match employees on staff prior to July 1st) or to maintain the uniform equity and hire at the higher rate (without an increase after one year). The Department of Social Services wishes to mimic the State Health and Human Service model and give a one year pay increase after the requisite employee evaluations. As a contrast, the Sheriff, for example, wishes to

promote an across the board expectation and compensation model and to not implement a one year “work against” pay reduction. Regardless of the method employed, the County will, in the end, continue its equitable pay policy and will continue to reward years of dedicated service through the longevity bonus program.

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.

The utility system has several critical infrastructure projects planned for the coming year: including a continuation of the Fairway Shores line replacement project, pump station rehabilitations, and the chemical feed system rehabilitation. Grant fund applications have been submitted for all the planned projects and all received some varying degree of State assistance.

Additional, the department will be partnering with the Towns of Mt. Gilead and Candor to study the feasibility of a system merger (regionalization). The County was awarded a feasibility grant of \$100,000 for the study.

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
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I: PREFACE AND INTRODUCTION
B. List of Principal County Officials

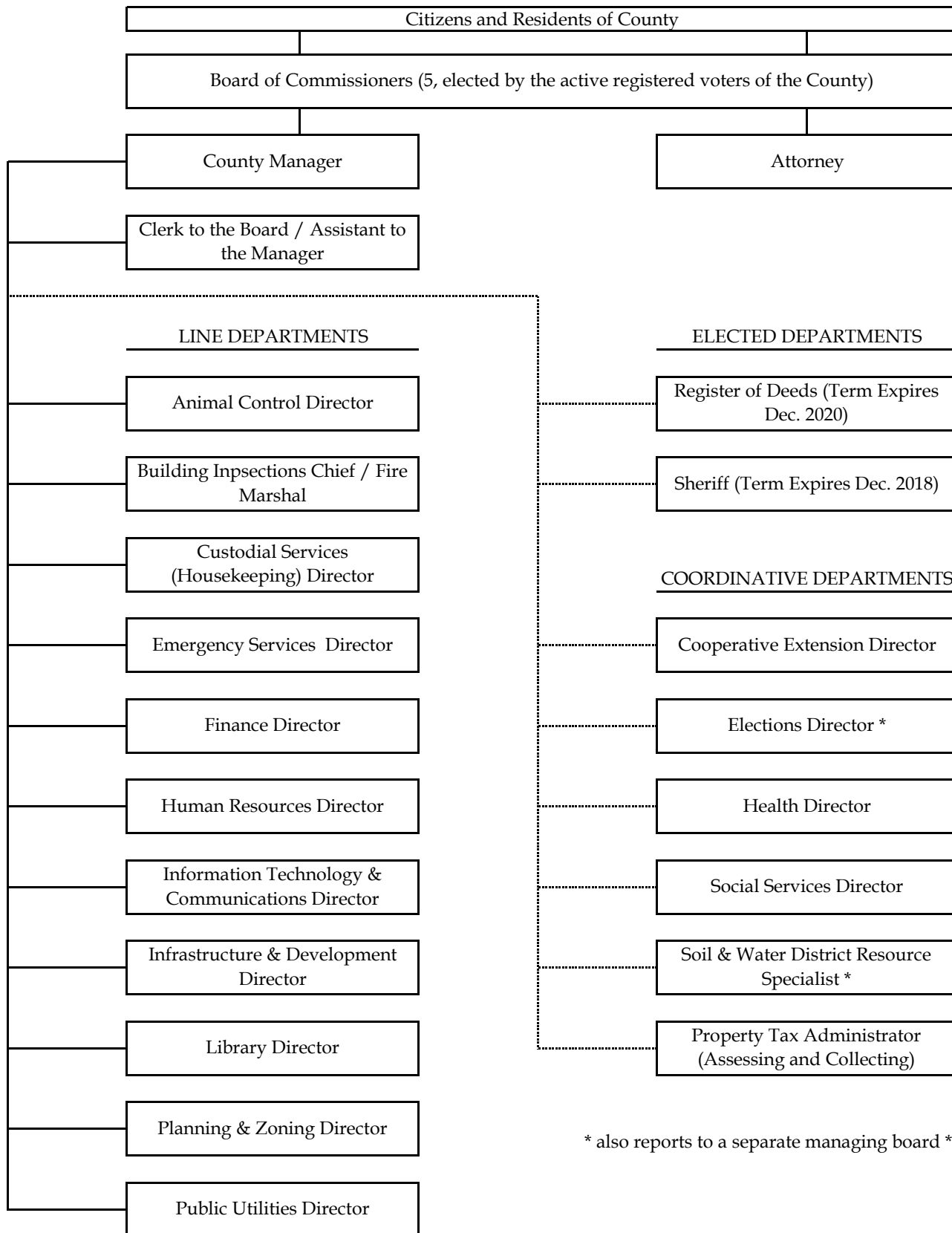
BOARD OF COUNTY COMMISSIONERS

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

COUNTY OFFICIALS

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



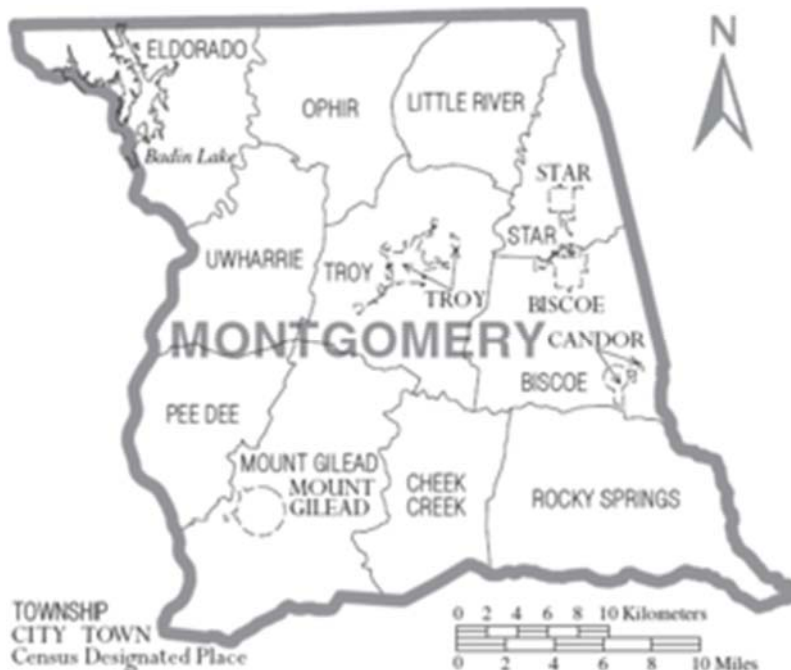
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I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director

January 31, 2019

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

North Carolina General Statute (NCGS) 159-34(a) requires the County to contract with a certified public accountant to 1) have the financial records audited as soon as possible after the close of each year and 2) evaluate the County's performance with regard to compliance with all applicable federal and state regulations. The statute also requires that the auditor be permitted access to all records and other information upon request. In March 2018, the County entered a contract with Thomas, Judy, & Tucker, CPAs to conduct the audit for the fiscal year ended June 30, 2018. 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 within 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 2018), the year previous to the year being audited (FY 2017), and the year subsequent to the year being audited (FY 2019). The amounts presented are the amounts included in the original budget ordinance each year. Budget amendments are not included.



DESCRIPTION	FY2019 BUDGET ORDINANCE	FY2018 BUDGET ORDINANCE	FY2017 BUDGET ORDINANCE
GENERAL FUND CLASSIFICATION			
Primary Government Services	\$ 31,184,471	\$ 31,598,767	\$ 31,534,003
Vehicle Purchases	117,000	166,000	167,000
Property Tax Revaluation	555,000	125,000	125,000
Federal Forfeitures and State Substance Tax	56,000	6,000	34,883
Fire Protection	1,010,850	602,624	589,952
Court Facilities	205,000	50,000	48,815
Recreation	169,000	89,000	88,063
Haltiwanger Retreat	12,000	15,000	15,000
SUBTOTAL, INCLUDING TRANSFERS	33,309,321	32,652,391	32,602,716
SPECIAL REVENUE FUND CLASSIFICATION			
E911 Emergency Telephone System	275,918	295,000	445,000
Emergency Management Performance Grant	40,000	40,000	40,000
Community Development	8,981	110,617	100,000
Badin Lake Fire District	428,000	427,000	430,000
Lake Tillery Fire District	209,000	207,000	206,000
Child Support Incentives	302,000	290,000	287,183
SUBTOTAL, INCLUDING TRANSFERS	1,263,899	1,369,617	1,508,183
CAPITAL PROJECT FUND CLASSIFICATION			
Schools Projects	740,612	1,545,900	449,054
Educational Facilities (new high school construction)	74,896,700	1,205,247	1,160,258
Airport Projects	666,667	120,000	379,667
County Projects	2,094,735	819,735	569,735
SUBTOTAL, INCLUDING TRANSFERS	78,398,714	3,690,882	2,558,714
ENTERPRISE FUND CLASSIFICATION			
Water and Sewer Operations	4,020,500	3,867,000	3,983,463
Water and Sewer Projects	5,025,000	6,374,000	2,467,413
SUBTOTAL, INCLUDING TRANSFERS	9,045,500	10,241,000	6,450,876
TOTAL, INCLUDING TRANSFERS	\$ 122,017,434	\$ 47,953,890	\$ 43,120,489

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Montgomery County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Montgomery County, 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 Montgomery County, North Carolina as of June 30, 2018, 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.

Change in Accounting Principle

As described in Note g to the basic financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Company to restate net position as of June 30, 2017. Net position for governmental activities decreased by \$3,824,010 and business-type activities increased by \$70,827 as a result. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions, 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, and the Other Postemployment Benefits schedules of Changes in Total OPEB Liability and Total OPEB 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 Montgomery County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules as well as the accompanying Schedule of Expenditures of Federal and State awards, as required by *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 the responsibility of management and were derived

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

The introductory 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 January 31, 2019, on our consideration of Montgomery County, 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 Montgomery County, North Carolina's internal control over financial reporting and compliance.

Thomas, Judy & Tucker, P.A.

January 31, 2019

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2018
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, 2018* 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 \$66,867,754 (a.k.a. total net position).
- On a government-wide basis, total net position increased by \$2,932,606 from last year's report. Fiscal year activity of \$6,685,789 minus a required restatement of last year's total net position of - (\$3,753,183) led to this overall increase as the County continues to prepare for future projects.
- The ending fund balances of all governmental funds combined equals \$89,845,140, an increase of \$63,777,343 (or 244.66%) from prior year. This increase is almost entirely due to the recognition of proceeds from a very large loan and is expected to decrease equally substantially over the next 2 years.
- At the end of the fiscal year, the General Fund's total fund balance amounted to \$16,719,213, while fund balance available for appropriation (FBAA) was \$13,545,011. FBAA represents 81.01% of the fund's total fund balance and 39.94% of total expenditures plus outgoing transfers from the fund for the fiscal year.
- The County added \$8,989,878 (or 14.67%) to total capital assets, creating an ending balance of \$70,263,697. As a new high school is constructed over the next 2 years, this balance will double.
- Total long-term liabilities increased by \$68,875,583 (or 217.14%) to \$100,595,171 to construct a high school.

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.

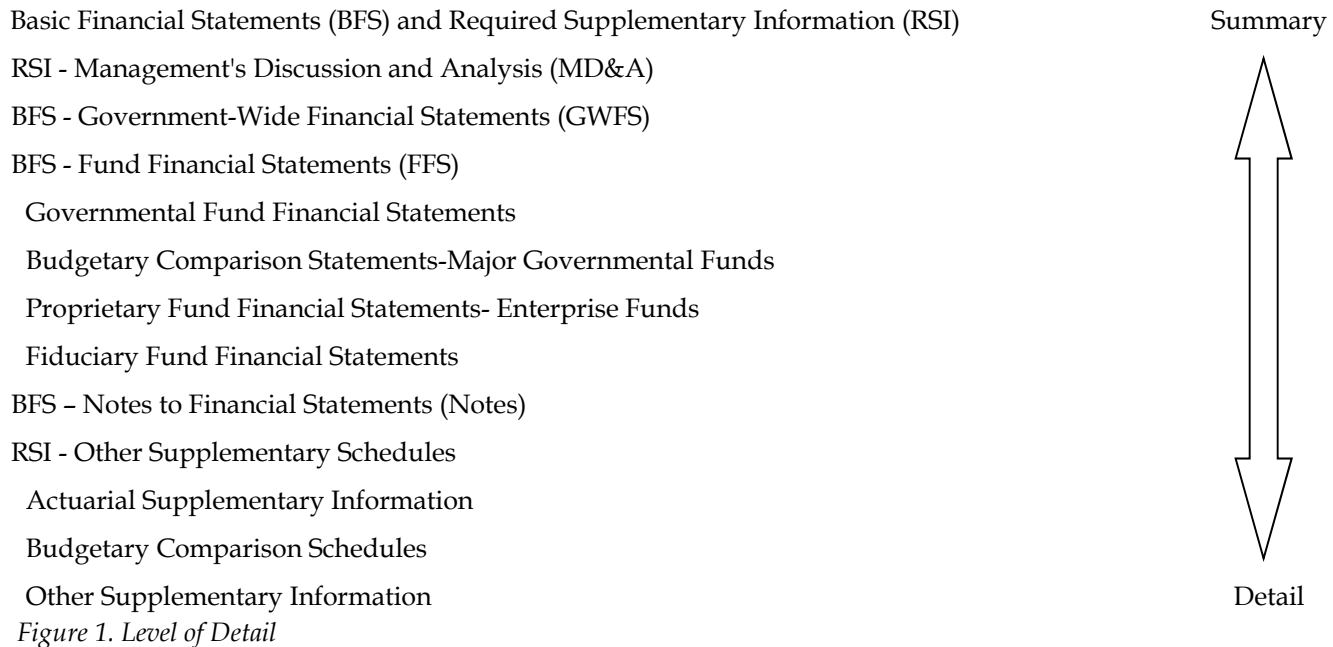


Figure 1. Level of Detail

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 new 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, 2018, net position increased by \$2,932,606 to \$66,867,754. 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 these increases 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.

During fiscal year 2018, the County began 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. The new high school will include a shared facility for students wanted to transition into skilled workforce after graduation. 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		
	2018	2017	2016	2018	2017	2016
	(amounts depicted in thousands of dollars)					
Current and other assets	\$ 97,633	\$ 29,321	\$ 23,087	\$ 6,563	\$ 5,972	\$ 5,029
Capital assets	45,283	35,510	34,070	24,890	25,763	26,496
Total assets	142,916	64,831	57,157	31,543	31,735	31,525
Total deferred outflows	1,525	2,094	863	105	164	36
Current and other liabilities	7,579	2,637	4,003	427	313	1,382
Long-term liabilities	90,448	20,605	16,987	10,147	11,115	10,910
Total liabilities	98,027	23,242	20,990	10,574	11,428	12,292
Total deferred inflows	610	209	338	10	10	23
Net investment in capital assets	30,445	19,661	16,648	15,028	14,968	15,210
Stabilization by State Statute	2,733	2,336	2,166	-	-	-
Restricted for other reasons	1,729	1,620	1,300	-	-	-
Unrestricted net position	10,897	19,857	16,578	6,036	5,493	4,036
Total net position	\$ 45,804	\$ 43,474	\$ 36,692	\$ 21,064	\$ 20,461	\$ 19,246

Table 2. Condensed Statement of Activities

Category	Governmental Activities			Business-type Activities		
	2018	2017	2016	2018	2017	2016
	(amounts depicted in thousands of dollars)					
Revenues:						
Program revenues						
Charges for services	\$ 3,945	\$ 4,381	\$ 5,492	\$ 4,192	\$ 4,525	\$ 4,379
Program grants & contributions	5,321	6,925	7,101	206	68	59
General revenues						
Property taxes	19,606	19,021	18,733	-	-	-
Other taxes	5,175	4,883	3,641	-	-	-
Other	593	54	52	55	14	2
Total revenues	34,640	35,264	35,019	4,453	4,607	4,440
Program expenses:						
General government	3,997	3,683	4,914	-	-	-
Transportation	229	234	214	-	-	-
Public safety	7,174	7,297	6,809	-	-	-
Human services	6,455	7,635	7,250	-	-	-
Environmental protection	916	953	543	3,935	3,392	3,338
Education, intergovernmental	7,530	6,539	6,494	-	-	-
Economic and phys. development	678	767	787	-	-	-
Cultural and recreational	384	332	532	-	-	-
Interest on long-term liabilities	1,143	856	1,275	-	-	-
Total expenses	28,506	28,296	28,818	3,935	3,392	3,338
Change in net position	6,154	6,968	6,201	532	1,215	1,102
Net position, beginning, July 1	43,474	36,692	46,545	20,461	19,246	21,289
Adjustments/Restatements	(3,824)	(186)	(16,054)	71	-	(3,145)
Net position, beginning, restated	39,650	36,506	30,491	20,532	19,246	18,144
Net position, ending, June 30	\$ 45,804	\$ 43,474	\$ 36,692	\$ 21,064	\$ 20,461	\$ 19,246

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		
	2018	2017	2016	2018	2017	2016
Revenues:						
Program revenues						
Charges for services	11.39%	12.42%	15.68%	98.22%	98.22%	98.62%
Program grants & contributions	15.36%	19.64%	20.28%	1.48%	1.48%	1.33%
General revenues						
Property taxes	56.60%	53.94%	53.49%	0.00%	0.00%	0.00%
Other taxes	14.94%	13.85%	10.40%	0.00%	0.00%	0.00%
Other	1.71%	0.15%	0.15%	0.30%	0.30%	0.05%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	14.02%	13.02%	17.05%	0.00%	0.00%	0.00%
Transportation	0.80%	0.82%	0.75%	0.00%	0.00%	0.00%
Public safety	25.17%	25.79%	23.63%	0.00%	0.00%	0.00%
Human services	22.64%	26.98%	25.16%	0.00%	0.00%	0.00%
Environmental protection	3.21%	3.37%	1.88%	100.00%	100.00%	100.00%
Education, intergovernmental	26.42%	23.11%	22.53%	0.00%	0.00%	0.00%
Economic and phys. development	2.38%	2.71%	2.73%	0.00%	0.00%	0.00%
Cultural and recreational	1.35%	1.17%	1.85%	0.00%	0.00%	0.00%
Interest on long-term liabilities	4.01%	3.03%	4.42%	0.00%	0.00%	0.00%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

See both Table 2 and Table 3 above. Of total revenues from both governmental and business-type activities for the year ended June 30, 2018, 63.39% stems from property and other taxes, 20.81% from charges for services, and 14.14% from program grants and contributions. For the year ended June 30, 2017, 59.95% stemmed from property and other taxes, 22.34% from charges for services, and 17.54% from program grants and contributions. For the year ended June 30, 2016, 56.70% stemmed from property and other taxes, 25.02% from charges for services, and 18.15% from program grants and contributions. 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, 2018, about 23.21% is spent toward education programs, 22.11% on public safety programs, 19.90% toward human service programs, 14.95% on environmental protection activities, and 12.32% on general government activities. For the year ended June 30, 2017, about 24.09% was spent toward human service programs, 23.03% on public safety programs, about 20.64% is spent toward education programs, 13.71% on environmental protection activities, and 11.62% on general government activities. For the year ended June 30, 2016, about 22.55% was spent

toward human service programs, 21.18% on public safety programs, 20.20% toward education programs, 15.28% on general government activities, and 12.07% toward environmental protection activities. 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 \$39.1 million and total expenses are \$32.4 for the year ended June 30, 2018, adding about \$6.7 million to the total net position of the County. The County's total revenues were \$39.9 million and total expenses were \$31.7 for the year ended June 30, 2017, which added about \$8.2 million to the total net position of the County. The County's total revenues were \$39.5 million and total expenses were \$32.2 for the year ended June 30, 2016, which added about \$7.3 million to the total net position of the County.

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	2018	2017	2016	2015	2014	2013	2012
total margin ratio	1.205	1.262	1.227	1.240	1.215	1.139	1.139
percentage change in net position	11.1%	14.7%	15.0%	18.0%	18.3%	12.5%	13.4%
debt service ratio	0.099	0.104	0.104	0.117	0.108	0.098	0.115
quick ratio	3.989	10.335	11.969	9.300	5.920	11.560	6.932
net position ratio	0.155	0.731	0.619	0.903	0.259	0.291	0.261
debt-to-assets ratio	0.577	0.328	0.354	0.392	0.444	0.485	0.495
capital assets condition ratio	0.587	0.609	0.629	0.656	0.656	0.678	0.686

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

- total resource inflow = \$39,093,864, which is total general revenues and transfers (\$25,430,007) plus program revenues (8,136,839 + \$5,485,883 + \$41,135) of the County (from Exhibit II.C.1.b)
- total resource outflow = \$32,441,060, which is total expenses of the County (from Exhibit II.C.1.b)
- total margin ratio = \$39,093,864 / \$32,441,060 = 1.205

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

- change in net position = \$6,685,789 (from Exhibit II.C.1.b)
- beginning net position, restated = \$60,181,965 (from Exhibit II.C.1.b)
- percentage (%) change in net position = \$6,685,789 / \$60,181,965 = 11.1%

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

- principal payments = \$1,976,125 + \$843,165 = \$2,819,290 (from Exhibits II.C.2.b and II.D.5.a)
- interest and fees payments = \$422,278 + \$259,715 = \$681,993 (from Exhibits II.C.2.b and II.D.5.a)
- debt service ratio = (\$2,819,290 + \$681,993) / (\$32,441,060 + \$2,819,290) = 0.099

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

- cash and cash equivalents = \$31,932,692 (from Exhibit II.C.1.a)
- current liabilities = \$5,151,435 + \$1,969,893 + \$0 + \$841,177 + \$42,850 = \$8,005,355 (from Exhibit II.C.1.a)
- quick ratio = \$31,932,692 / \$8,005,355 = 3.989

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

- unrestricted net position = \$16,932,533 (from Exhibit II.C.1.a)
- total liabilities = \$108,600,526 (from Exhibit II.C.1.a)
- net position ratio = \$16,932,533 / \$108,600,526 = 0.155

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

- outstanding long-term liabilities = \$100,595,171 (from Exhibit II.C.1.a)
- total assets = \$174,458,529 (from Exhibit II.C.1.a)
- debt-to-assets ratio = $\$100,595,171 / \$174,458,529 = 0.577$

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

- accumulated depreciation = $\$17,648,998 + \$21,494,019 = \$39,143,017$ (from Note on Capital Assets)
- capital assets being depreciated = $\$48,738,601 + \$46,107,941 = \$94,846,542$ (from Note on Capital Assets)
- capital assets condition ratio = $1.000 - (\$39,143,017 / \$94,846,542) = 0.587$

Governmental Activities

Governmental activities increased the County's net position by \$6,153,705, thereby responsible for 92.0% of the overall increase in total government-wide net position. During the previous fiscal year, governmental activities increased the County's net position by \$6,968,269, thereby responsible for 85.1% 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) began.

Business-Type Activities

Business-type activities increased the County's net position by another \$532,084, accounting for the remaining 8.0% 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 \$1,215,341, accounting for the remaining 14.9% 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 years ending June 30, 2019 and June 30, 2020, net position may decrease as spending increases for 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, 2018*.

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 a fiscal year. Across all governmental funds, the County has a fund balance available for appropriation of about \$86.4 million, up substantially from \$23.5 million a year earlier and \$18.5 million two years earlier. Proceeds from a large loan supported this year's increase.

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, 2018, fund balance available for appropriation amounts to 182.4% of total expenditures and total fund balance amounts to 189.7% of total expenditures. One year earlier, 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. Two years 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. 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, 2018, the County reports \$89,845,140 as the combined fund balance of all governmental funds. The total increase in the combined fund balance of all governmental funds of \$63,777,343 may be primarily attributed to recognition of proceeds from a large loan that will be used to complete construction of a new high school. One year earlier, on June 30, 2017, the County reported \$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. Two years 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.

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

Indicator Name / Result	2018	2017	2016	2015	2014	2013	2012
operations ratio	0.729	1.062	0.947	1.104	1.052	1.151	1.105
% change in fund balance	244.7%	23.1%	32.2%	(0.3)%	9.8%	37.7%	36.0%
debt service ratio	0.051	0.074	0.069	0.089	0.085	0.086	0.087
quick ratio	3.908	10.508	16.421	20.682	9.682	15.886	4.733
available fund balance-to-expenditures	1.824	0.702	0.510	0.392	0.426	0.484	0.313
debt-to-assessed value ratio	0.0258	0.0050	0.0058	0.0065	0.0079	0.0087	0.0101
intergovernmental ratio	0.143	0.185	0.190	0.227	0.243	0.235	0.242

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 = \$42,004,420, which is total revenues (\$34,451,616) plus transfers in (\$7,552,804) of the County’s governmental funds (from Exhibit II.C.2.b)
- transfers-in to capital project-type funds = \$7,467,582, which is total transfers-in to capital projects funds (from Exhibit II.E.02)
- total expenditures plus transfers out = \$47,354,819, which is total expenditures (\$39,802,015) plus transfers out (\$7,552,804) 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 = (\$42,004,420 - \$7,467,582) / (\$47,354,819 - \$0) = 0.729

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

- change in fund balance = \$63,777,343 (from Exhibit II.C.2.b)
- beginning fund balance = \$26,067,797 (from Exhibit II.C.2.b)
- percentage change in fund balance = \$63,777,343 / \$26,067,797 = 244.7%

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 = \$1,976,125 (from Exhibit II.C.2.b)
- interest payments = \$422,278 (from Exhibit II.C.2.b)
- debt service ratio = (\$1,976,125 + \$422,278) / (\$47,354,819 - \$0) = 0.051

- 4) quick ratio = (cash and investments) divided by (current liabilities--not including deferred revenues)
- cash and cash equivalents = \$26,437,229 (from Exhibit II.C.2.a)
 - current liabilities--not including deferred revenues = \$6,764,102 (from Exhibit II.C.2.a)
 - quick ratio = \$26,437,229 / \$6,764,102 = 3.908
- 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 = \$86,396,798 (from Exhibit II.C.2.a)
 - available fund balance-to-expenditures ratio = \$86,396,798 / (\$47,354,819 - \$0) = 1.824
- 6) debt-to-assessed value ratio = (long-term debt) divided by (total assessed value used for property tax purposes)
- long-term debt = \$81,138,506 (from detail notes in Exhibit II.C.3.b.B.7.f)
 - total assessed value used for property tax purposes = \$3,139,315,587 (from Exhibit II.E.03)
 - debt-to-assessed value ratio = \$81,138,506 / \$3,139,315,587 = 0.0258
- 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 = \$4,930,532 (from Exhibit II.C.2.b)
 - intergovernmental ratio = \$4,930,532 / (\$42,004,420 - \$7,467,582) = 0.143

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 \$13,545,011, while total fund balance reached \$16,719,213. The total decrease in the fund balance of the General Fund of (\$568,055) can be attributed to a special \$5,000,000 transfer to the Education Facilities Fund, mostly offset by anticipated (yet not budgeted) increases in both property taxes revenues and sales taxes revenues and to continued savings in various expenditures. Fund balance available for appropriation represents 39.9% of total General Fund expenditures, while total fund balance represents 49.3% 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 space availability and utilization issues.

One year earlier, at June 30, 2017, fund balance available for appropriation of the General Fund was \$14,947,745, 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 (yet not budgeted) 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.

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.

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 visionary County Manager during the first half of the fiscal year that ended June 30, 2012 has led to enormous financial and other improvements.

GENERAL FUND ONLY	2018	2017	2016	2015	2014	2013	2012
available fund balance-to-expenditures	39.9%	50.5%	30.1%	40.5%	39.1%	30.0%	24.6%

The Board of County Commissioners has determined that the County should maintain a level of fund balance available for appropriation of between 20% to 25% of total revenues in the General Fund. Not only does

maintaining such levels assist with cash flow needs, the County is also better able to weather unforeseen circumstances, earn higher rates of interest as a means to increase revenues, and take full advantage of some 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 continuation of a large project, constructing a new high school, the Educational Facilities Fund is being presented as a major fund for the year ended June 30, 2018 and expects to be a major fund for the next two or three fiscal years.

Proprietary Funds. The County of Montgomery's proprietary (i.e. enterprise) fund provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Public Utilities Fund at the end of the fiscal year amounted to \$6,035,710 and total net position of the fund is \$21,064,079. 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, 2018 totals \$70,263,697 (net of accumulated depreciation), which represents an increase of \$8,989,878 from 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 (\$11,109,144 increase to reported capital assets).
- Purchase and other additions of vehicles and other equipment (\$596,925 increase).
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$810,764 and on capital assets other than equipment and vehicles of \$1,892,345 (total \$2,703,109 decrease).
- Retirement of older vehicles, net of depreciation, in the amount of \$13,078 (decrease).

The County's capital assets for both governmental and business-type activities as of June 30, 2017 totals \$61,279,819 (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.

Table 6. Capital Assets, net of Accumulated Depreciation

Category	Governmental Activities			Business-type Activities		
	2018	2017	2016	2018	2017	2016
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 4,489	\$ 1,127	\$ 1,093	\$ 111	\$ 95	\$ 95
Construction in progress	9,704	2,431	241	255	350	61
Buildings and improvements	22,477	23,138	23,491	918	1,056	1,170
Infrastructure	2,357	2,427	2,497	20,542	21,013	21,885
Equipment (including vehicles)	6,256	6,387	6,298	3,154	3,249	3,285
Total capital assets, net	\$ 45,283	\$ 35,510	\$ 34,070	\$ 24,980	\$ 25,763	\$ 26,496

The County's investments in capital assets increased nearly 14.7% from the previous year. At June 30, 2017, the County's investments in capital assets had increased almost 1.2% 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', Z. '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, 2018, the County had total long-term liabilities outstanding of \$100,595,171, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to \$91,425,707. During the year ended June 30, 2018, the change in total long-term liabilities was \$68,880,660 (or 217.4%) and the change in outstanding indebtedness was \$68,946,409 (or 243.1%). During the year, the County met all normal debt service requirements (both principal and interest payments) of \$3,501,284 and entered a new loan agreement for \$67,675,000. Other changes include changes in compensated absences, pension liabilities, and OPEB liability.

In fiscal year 2018, the County borrowed \$67,675,000 to begin construction of a new high school. The loan is due in full on September 1, 2020, about 30 months after the loan closing. 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.

As of June 30, 2017, the County had total long-term liabilities outstanding of \$31,648,762, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to \$26,644,071. 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. Other changes include changes in compensated absences, pension liabilities, and OPEB liability.

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, 2016, 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. Other changes include changes in compensated absences, pension liabilities, and OPEB liability.

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 borrowings, the 'legal debt margin' for the County is \$162,232,032, after being \$222,614,385 on June 30, 2017. Whereas the County had only reached 6.5% of its legal debt capacity on June 30, 2017, the County is now at 33.3% of its legal debt capacity. Additional information regarding the County's long-term obligations can be found in the Notes to Financial Statements, see Note b.B.8.h. (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', 8. 'Long-Term Obligations', h. 'Other Information').

BUDGETARY HIGHLIGHTS - FY 2018

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 \$891,294, transfers in from other funds by \$40,000, and appropriations of fund balance by \$5,435,917 for a total budgetary increase of \$6,367,211 and a final budget of \$37,964,478. 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 and sales 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. For discussion purposes, this fund presently houses one major project, the construction of a new high school.

Public Utilities Fund. In the County's sole enterprise fund, an amendment was posted to budget \$41,000 for the County-funded portion of new projects.

Non-major Funds. Total amendments to non-major funds of \$50,856 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	\$ 31,597,267	\$ 6,367,211	\$ 37,964,478
Public Utilities Fund	3,867,000	41,060	3,908,060
Non-major Funds	1,259,000	50,856	1,309,856
Totals	\$ 36,723,267	\$ 6,459,127	\$ 43,182,394

BUDGETARY HIGHLIGHTS - ADOPTED BUDGET RECAP

For a look at the County's adopted budget for fiscal years 2019, 2018, and 2017, please review Subsection I.D, Introduction from the County Finance Director, found at the end of Section I. The following paragraphs recap the changes found in that schedule, which immediately precedes Section II.

All Funds: Total County beginning budget for fiscal year 2019 increases estimated revenues and appropriations by \$74,063,544 (or 154.45%) from the prior year's beginning budget figure. The increase in the beginning budget for various capital projects, including construction of a new high school and several water system projects, is \$73,358,832. All other funds had a net increase of \$704,712.

Total County beginning budget for fiscal year 2018 increased 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, was \$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.

Governmental Funds: The fiscal year 2019 beginning budget for the General Fund increases estimated revenues and appropriations by \$656,930, or 2.01%. The fiscal year 2019 beginning budget for all governmental capital projects funds increases by \$74,707,832 compared to the previous year. For all other governmental funds, the fiscal year 2019 beginning budget decreased by (\$105,718).

The fiscal year 2018 beginning budget for the General Fund increased estimated revenues and appropriations by \$49,675, or 0.15%. The fiscal year 2018 beginning budget for all governmental capital projects funds increased 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 increased 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 2019 beginning budget for the Water and Sewer Operations Fund increases estimated revenues and appropriations by \$153,500, 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 elevated slightly. The beginning budget of the Water and Sewer Projects Fund decreases by \$1,349,000.

The fiscal year 2018 beginning budget for the Water and Sewer Operations Fund decreased 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 and Sewer Projects Fund increased by \$3,906,587.

The fiscal year 2017 beginning budget for the Water and Sewer Operations 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.

ECONOMIC HIGHLIGHTS AND OTHER IMPORTANT FACTS

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

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 assessed valuation for property tax purposes will increase very little, when looking at the County as a whole.

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 began 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 2019 should see similar amounts of departmental fees collected when compared to prior year. As well, some major projects will continue and some minor projects should be completed. 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. No such change is anticipated in the near future.

REQUESTS FOR ADDITIONAL FACTS

For those with a deeper 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/>), send email to finance@montgomerycountync.com, contact us by telephone (910-576-4221), or address your request to:

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

We appreciate the interest in our finances!

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

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County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2018

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

	<u>Identifier</u>	<u>Page No.</u>
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2. Fund Financial Statements	Part II.C.2	41
3. Notes to Financial Statements	Part II.C.3	51

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 the "Notes to Financial Statements". Plus, more detailed data is shown in the "Notes to Financial Statements" that help to explain some of the information in these financial statements.

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2018

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	37
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	38

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 balance sheet and income statement of a private-sector business.

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

June 30, 2018

With Comparative Totals as of June 30, 2017

	Primary Government				Component Unit		
	Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority		
			2018	2017	2018	2017	
ASSETS							
Cash and cash equivalents	\$ 26,437,229	\$ 5,495,463	\$ 31,932,692	\$ 30,488,402	\$ 152,156	\$ 112,482	
Taxes receivable, net	793,071	-	793,071	704,555	-	2,831	
Accounts receivable, net	2,480,220	764,339	3,244,559	2,742,193	-	-	
Due from other governments	254,542	28,796	283,338	310,264	247	82	
Due from other taxing units	-	-	-	661	-	-	
Inventories	50,965	210,963	261,928	277,525	-	-	
Prepaid items	664,790	62,619	727,409	263,941	74	2,706	
Restricted cash and cash equivalents	66,910,445	-	66,910,445	458,264	-	-	
Net pension asset-RODSPF	41,390	-	41,390	46,445	-	-	
Capital assets					-	-	
Land and construction in progress	14,193,816	366,357	14,560,173	4,004,305	-	-	
Other capital assets, net of accumulated depreciation	31,089,603	24,613,921	55,703,524	57,269,514	-	-	
Total capital assets	45,283,419	24,980,278	70,263,697	61,273,819	-	-	
Total Assets	\$ 142,916,071	\$ 31,542,458	\$ 174,458,529	\$ 96,566,069	\$ 152,477	\$ 118,101	
DEFERRED OUTFLOWS OF RESOURCES:							
	1,525,524	104,600	1,630,124	2,257,622	-	-	
LIABILITIES							
Accounts payable and accrued expenses	\$ 4,788,226	\$ 363,209	\$ 5,151,435	\$ 1,580,380	\$ -	\$ 3,525	
Unearned revenues	1,969,893	-	1,969,893	1,093,457	-	-	
Accrued interest payable	815,426	25,751	841,177	237,904	-	-	
Payable from restricted assets	-	-	-	-	-	-	
Due to other taxing units	5,983	36,867	42,850	38,144	-	-	
Long-term liabilities							
Due within one year	2,649,365	694,674	3,344,039	2,976,550	-	-	
Due in more than one year	87,798,251	9,452,881	97,251,132	28,743,038	-	-	
Total Long-term liabilities	90,447,616	10,147,555	100,595,171	31,719,588	-	-	
Total Liabilities	\$ 98,027,144	\$ 10,573,382	\$ 108,600,526	\$ 34,669,473	\$ -	\$ 3,525	
DEFERRED INFLOWS OF RESOURCES:							
	610,776	9,597	620,373	219,070	-	-	
NET POSITION							
Net investment in capital assets	\$ 30,445,003	\$ 15,028,369	\$ 45,473,372	\$ 35,039,127	\$ -	\$ -	
Restricted net position:							
Stabilization by State Statute	2,732,587	-	2,732,587	2,335,963	247	2,913	
General government	536,442	-	536,442	469,073	-	-	
Public Safety	333,599	-	333,599	395,364	-	-	
Human services	254,718	-	254,718	254,253	-	-	
Economic and physical development	432,574	-	432,574	396,467	152,230	111,663	
Cultural and recreational	171,929	-	171,929	164,134	-	-	
Total restricted net position	4,461,849	-	4,461,849	4,015,254	152,477	114,576	
Unrestricted net position	10,896,823	6,035,710	16,932,533	24,880,767	-	-	
Total Net Position	\$ 45,803,675	\$ 21,064,079	\$ 66,867,754	\$ 63,935,148	\$ 152,477	\$ 114,576	

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

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

Page 1 of 2

(continued on next page)

For the Year Ended June 30, 2018

With Comparative Totals For the Year Ended June 30, 2017

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	\$ (3,996,989)	\$ 396,238	\$ 337,158	\$ -	\$ (3,263,593)
Transportation	(228,482)	-	-	-	(228,482)
Public safety	(7,174,094)	1,226,361	654,735	-	(5,292,998)
Human services	(6,455,297)	449,937	3,831,904	-	(2,173,456)
Environmental protection	(916,408)	1,859,109	53,659	-	996,360
Education (intergovernmental)	(7,529,512)	-	250,000	-	(7,279,512)
Economic and physical development	(677,805)	11,439	41,300	37,342	(587,724)
Cultural and recreational	(384,266)	1,944	24,800	-	(357,522)
Interest on long-term liabilities	(855,465)	-	90,039	-	(765,426)
Debt issuance costs	(287,363)	-	-	-	(287,363)
Subtotal governmental activities	(28,505,681)	3,945,028	5,283,595	37,342	(19,239,716)
Business-type activities					
Water distribution system	(3,935,379)	4,191,811	59,788	146,293	462,513
Subtotal business-type activities	(3,935,379)	4,191,811	59,788	146,293	462,513
Total primary government	\$ (32,441,060)	\$ 8,136,839	\$ 5,343,383	\$ 183,635	\$ (18,777,203)
Component unit:					
Tourism development authority	\$ (5,631)	\$ -	\$ -	\$ -	\$ (5,631)

GENERAL REVENUES AND TRANSFERS:

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

Total general revenues

Special item-gain from sale of capital assets
Transfers:

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

Net position, beginning (July 1)
Adjustment to prior period
Restatement (GASBS 75)
Net position, beginning-restated

Net position, ending (June 30)

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

(continued from previous page)

Primary Government				Component Unit	
Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority	
		2018	2017	2018	2017
\$ (3,263,593)	\$ -	\$ (3,263,593)	\$ (2,873,379)	\$ -	\$ -
(228,482)	-	(228,482)	(155,358)	-	-
(5,292,998)	-	(5,292,998)	(5,506,591)	-	-
(2,173,456)	-	(2,173,456)	(2,173,843)	-	-
996,360	-	996,360	1,336,155	-	-
(7,279,512)	-	(7,279,512)	(5,897,198)	-	-
(587,724)	-	(587,724)	(659,191)	-	-
(357,522)	-	(357,522)	(303,440)	-	-
(765,426)	-	(765,426)	(757,890)	-	-
(287,363)	-	(287,363)	-	-	-
(19,239,716)	-	(19,239,716)	(16,990,735)	-	-
-	462,513	462,513	1,200,812	-	-
-	462,513	462,513	1,200,812	-	-
(19,239,716)	462,513	(18,777,203)	(15,789,923)	-	-
-	-	-	-	(5,631)	(9,925)
19,606,160	-	19,606,160	19,021,242	-	-
5,173,660	-	5,173,660	4,881,370	-	-
-	-	-	-	43,532	38,629
1,800	-	1,800	2,049	-	-
-	-	-	-	-	-
592,799	55,588	648,387	172,516	-	-
-	-	-	-	-	-
25,374,419	55,588	25,430,007	24,077,177	43,532	38,629
34,638	(1,653)	32,985	(103,645)	-	-
(15,636)	15,636	-	-	-	-
25,393,421	69,571	25,462,992	23,973,532	43,532	38,629
6,153,705	532,084	6,685,789	8,183,609	37,901	28,704
43,473,980	20,461,168	63,935,148	55,938,452	114,576	85,872
-	-	-	317,419	-	-
(3,824,010)	70,827	(3,753,183)	(504,332)	-	-
39,649,970	20,531,995	60,181,965	55,751,539	114,576	85,872
\$ 45,803,675	\$ 21,064,079	\$ 66,867,754	\$ 63,935,148	\$ 152,477	\$ 114,576

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

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County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2018

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	42
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Position'	Exhibit II.C.2.a.i	43
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	44
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	45
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	46
d. Enterprise Fund: Public Utilities: Statement of Fund Net Position	Exhibit II.C.2.d	47
e. Enterprise Fund: Public Utilities: Statement of Revenues, Expenses, and Changes in Fund Net Position	Exhibit II.C.2.e	48
f. Enterprise Fund: Public Utilities: Statement of Cash Flows	Exhibit II.C.2.f	49
g. Fiduciary Funds: Statement of Fiduciary Net Position	Exhibit II.C.2.g	50

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

County of Montgomery, North Carolina

Page 1 of 2

a. Governmental Funds: Balance Sheet

(continued on next page)

June 30, 2018

With Comparative Totals as of June 30, 2017

	Governmental Funds				
	Major:	Major:	Non-major:	Totals	
	General	Educational Facilities	All Others	2018	2017
ASSETS					
Cash and cash equivalents	\$ 14,743,742	\$ 7,240,652	\$ 4,452,835	\$ 26,437,229	\$ 25,513,056
Taxes receivable, net	780,742	-	12,329	793,071	704,555
Accounts receivable, net	2,289,157	44,629	146,434	2,480,220	2,050,245
Due from other governments	197,763	9,863	46,916	254,542	285,730
Inventories	50,965	-	-	50,965	61,198
Prepaid items	636,317	-	28,473	664,790	200,994
Restricted cash and cash equivalents	599,797	66,310,648	-	66,910,445	458,264
Total assets	\$ 19,298,483	\$ 73,605,792	\$ 4,686,987	\$ 97,591,262	\$ 29,274,042
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 1,001,046	\$ 3,341,363	\$ 23,425	\$ 4,365,834	\$ 1,330,698
Contract retainage	15,419	406,973	-	422,392	-
Unearned revenues	593,114	-	1,376,779	1,969,893	1,093,457
Due to other taxing units	-	-	5,983	5,983	3,859
Total liabilities	1,609,579	3,748,336	1,406,187	6,764,102	2,428,014
Deferred inflows of resources					
Property taxes receivable, net	780,742	-	12,329	793,071	704,555
Unearned tax revenues	188,949	-	-	188,949	73,676
Total deferred inflows	969,691	-	12,329	982,020	778,231
Fund balances					
Non-spendable					
Inventories	50,965	-	-	50,965	61,198
Prepaid items	636,317	-	28,473	664,790	200,994
Restricted					
Stabilization by State Statute	2,486,920	54,492	191,175	2,732,587	2,335,963
General Government	536,442	-	-	536,442	409,248
Public Safety	131,330	-	202,269	333,599	395,364
Human Services	13,235	-	241,483	254,718	254,253
Economic and Physical Development	50,000	-	382,574	432,574	396,467
Cultural and Recreational	171,929	-	-	171,929	164,134
Committed					
Transportation	-	-	115,515	115,515	43,821
Public Safety	697,762	-	-	697,762	1,006,741
Education (intergovernmental)	-	-	282,182	282,182	1,037,318
Schools Capital Outlay	-	69,802,964	-	69,802,964	5,304,313
Economic and Physical Development	750,000	-	-	750,000	350,000
Cultural and Recreational	31,614	-	-	31,614	27,498
Assigned					
Incomplete projects	-	-	1,824,800	1,824,800	1,192,740
General Government	10,249	-	-	10,249	-
Public Safety	78,728	-	-	78,728	67,012
Economic and Physical Development	135,976	-	-	135,976	-
Cultural and Recreational	36,101	-	-	36,101	28,894
Unassigned	10,901,645	-	-	10,901,645	12,791,839
Total fund balances	16,719,213	69,857,456	3,268,471	89,845,140	26,067,797
Total liabilities, deferred inflows, and fund balances	\$ 19,298,483	\$ 73,605,792	\$ 4,686,987	\$ 97,591,262	\$ 29,274,042

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, 2018

With Comparative Totals as of June 30, 2017

	2018	2017
Total fund balances of governmental funds	\$ 89,845,140	\$ 26,067,797
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:	62,932,417	51,829,771
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:	(17,648,998)	(16,319,379)
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:	793,071	704,555
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:	(815,426)	(209,008)
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.	(88,106,080)	(17,471,722)
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.	(1,196,449)	(1,128,034)
Total net position of governmental activities	\$ 45,803,675	\$ 43,473,980

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

(continued from previous page)

County of Montgomery, North Carolina

Page 1 of 2

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

(continued on next page)

For the Year Ended June 30, 2018

With Comparative Totals For the Year Ended June 30, 2017

	Governmental Funds				
	Major:	Major:	Non-major:	Totals	
	General	Educational Facilities	All Others	2018	2017
REVENUES					
Ad valorem property taxes	\$ 19,371,322	\$ -	\$ 624,717	\$ 19,996,039	\$ 19,770,372
Local option sales taxes	5,173,659	-	-	5,173,659	4,881,370
Other taxes	1,786	-	-	1,786	2,049
Unrestricted intergovernmental revenues	410,510	-	-	410,510	387,660
Restricted intergovernmental revenues	4,243,715	-	276,307	4,520,022	6,174,136
Licenses, fees, and permits	2,844,958	-	-	2,844,958	3,221,877
Sales and services	601,704	-	-	601,704	540,162
Investment earnings	345,402	247,397	133	592,932	159,194
Miscellaneous	272,664	-	37,342	310,006	361,575
Total revenues	33,265,720	247,397	938,499	34,451,616	35,498,395
EXPENDITURES					
General government	3,538,162	-	-	3,538,162	3,705,043
Transportation	152,685	-	6,756	159,441	240,836
Public safety	6,235,746	-	748,189	6,983,935	7,047,854
Human services	6,405,436	-	48,914	6,454,350	7,435,454
Environmental protection	938,393	-	-	938,393	948,794
Education (intergovernmental)	6,056,850	-	1,304,873	7,361,723	6,538,796
Schools capital outlay	-	10,772,259	-	10,772,259	1,844,570
Economic and physical development	348,875	-	92,535	441,410	505,727
Cultural and recreational	372,021	-	-	372,021	339,137
Debt service, principal reduction	1,976,125	-	74,087	2,050,212	1,983,401
Debt service, interest and fees	422,278	-	20,469	442,747	487,233
Debt service, issuance costs	-	287,362	-	287,362	-
Total expenditures	26,446,571	11,059,621	2,295,823	39,802,015	31,076,845
Excess (deficiency) of revenues over expenditures	6,819,149	(10,812,224)	(1,357,324)	(5,350,399)	4,421,550
OTHER FINANCING SOURCES (USES)					
Transfers in	82,800	6,237,625	1,232,379	7,552,804	2,335,897
Transfers out	(7,470,004)	-	(82,800)	(7,552,804)	(2,335,897)
Capital lease financing issued	-	-	-	-	409,379
Installment financing issued	-	69,127,742	-	69,127,742	-
Total other financing sources (uses)	(7,387,204)	75,365,367	1,149,579	69,127,742	409,379
Net change in fund balances	(568,055)	64,553,143	(207,745)	63,777,343	4,830,929
FUND BALANCES					
Beginning fund balances (July 1)	17,287,268	5,304,313	3,476,216	26,067,797	20,919,449
Adjustment to prior period	-	-	-	-	317,419
Beginning fund balances-restated	17,287,268	5,304,313	3,476,216	26,067,797	21,236,868
Ending fund balances (June 30)	\$ 16,719,213	\$ 69,857,456	\$ 3,268,471	\$ 89,845,140	\$ 26,067,797

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

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

(continued from previous page)

For the Year Ended June 30, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018	2017
Net change in fund balances of governmental funds	\$ 63,777,343	\$ 4,830,929
<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:	(11,426)	(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:	11,335,180	3,239,137
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:	(1,535,090)	(1,695,791)
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:	5,059	(324,997)
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.	88,516	(182,400)
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:	2,050,212	1,983,401
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:	(412,711)	(368,987)
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:	(69,127,742)	(409,379)
9. Transfers of capital assets from governmental to business-type activities do not affect the governmental fund statements.	(15,636)	
Total net change in net position of governmental activities	\$ 6,153,705	\$ 6,968,268

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, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
REVENUES				
Ad valorem property taxes	\$ 18,673,821	\$ 18,741,321	\$ 19,371,322	\$ 630,001
Local option sales taxes	4,275,000	4,350,000	5,173,659	823,659
Other taxes	-	-	1,786	1,786
Unrestricted intergovernmental revenues	236,000	236,000	410,510	174,510
Restricted intergovernmental revenues	5,126,687	5,699,168	4,243,715	(1,455,453)
Licenses, fees, and permits	2,533,038	2,608,038	2,844,958	236,920
Sales and services	562,597	597,597	601,704	4,107
Investment earnings	27,000	27,000	345,402	318,402
Miscellaneous	108,593	174,906	272,664	97,758
Total revenues	31,542,736	32,434,030	33,265,720	831,690
EXPENDITURES				
General government	4,534,110	4,491,516	3,538,162	953,354
Transportation	155,000	168,358	152,685	15,673
Public safety	6,435,224	6,848,140	6,235,746	612,394
Human services	7,618,347	8,010,689	6,405,436	1,605,253
Environmental protection	931,997	1,007,727	938,393	69,334
Education (intergovernmental)	6,066,000	6,066,000	6,056,850	9,150
Economic and physical development	812,770	1,190,886	348,875	842,011
Cultural and recreational	414,277	416,620	372,021	44,599
Debt service, principal reduction	1,984,705	1,984,705	1,976,125	8,580
Debt service, interest and fees	423,691	423,691	422,278	1,413
Total expenditures	29,376,121	30,608,332	26,446,571	4,161,761
Excess of revenues over (under) expenditures	2,166,615	1,825,698	6,819,149	4,993,451
OTHER FINANCING SOURCES (USES)				
Transfers in	-	40,000	82,800	42,800
Transfers out	(2,221,146)	(7,356,146)	(7,470,004)	(113,858)
Capital lease financing issued	12,000	12,000	-	(12,000)
Fund balance appropriated (contingency)	42,531	5,478,448	-	(5,478,448)
Total other financing sources (uses)	(2,166,615)	(1,825,698)	(7,387,204)	(5,561,506)
Net change in fund balance	\$ -	\$ -	(568,055)	\$ (568,055)
FUND BALANCES				
Beginning fund balances (July 1)			17,287,268	
Ending fund balances (June 30)			<u>\$ 16,719,213</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, 2018

With Comparative Totals as of June 30, 2017

		Enterprise Fund: Public Utilities	
		Totals	
		2018	2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$	5,495,463	\$ 4,975,346
Accounts receivable, net		764,339	691,948
Due from other governments		28,796	24,534
Due from other taxing units		-	661
Inventories		210,963	216,327
Prepaid items		62,619	62,947
Total current assets:		6,562,180	5,971,763
Non-current assets:			
Capital assets			
Land, land improvements, and construction in progress		366,357	445,797
Other capital assets, net of accumulated depreciation		24,613,921	25,317,630
Total capital assets		24,980,278	25,763,427
Total assets	\$	31,542,458	\$ 31,735,190
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferrals	\$	104,600	\$ 163,697
LIABILITIES			
Current liabilities:			
Accounts payable	\$	363,209	\$ 236,595
Contract retainages		-	13,087
Due to other taxing units		36,867	34,285
Accrued interest payable		25,751	28,896
Compensated absences		8,456	7,413
Loans and other debt, amount due next year		686,218	843,165
Total current liabilities		1,120,501	1,163,441
Non-current liabilities:			
Compensated absences		47,918	48,797
Net OPEB obligation for retirees' healthcare coverage		-	70,826
Net pension liability		139,273	193,048
Loans and other debt, amount due after next year		9,265,690	9,951,908
Total non-current liabilities		9,452,881	10,264,579
Total liabilities	\$	10,573,382	\$ 11,428,020
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferrals	\$	9,597	\$ 9,699
NET POSITION			
Net investment in capital assets	\$	15,028,369	\$ 14,968,354
Unrestricted net position		6,035,710	5,492,814
Total net position	\$	21,064,079	\$ 20,461,168

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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	Enterprise Fund: Public Utilities	
	Totals	
	2018	2017
OPERATING REVENUES		
Departmental fees	\$ 4,191,811	\$ 4,524,627
Other operating revenue	59,788	59,788
Total operating revenues	4,251,599	4,584,415
OPERATING EXPENSES		
Salaries and employee benefits	742,196	706,866
Various professional services	301,475	132,025
Supplies and materials	225,298	182,105
Automotive fuels and supplies	30,693	23,925
Penalties and fines	129	20,164
Postage, shipping, delivery costs	39,446	41,777
Utilities	276,137	264,470
Repairs and maintenance	256,217	174,379
Rental/lease expenditures	25,023	12,629
Contracted services	122,751	116,426
Sludge removal	8,647	-
Furniture, equipment, and tools	76,373	18,353
Sewer processing charges	71,239	51,566
Depreciation	1,168,021	1,168,117
Pension expense	48,091	51,461
Bad debt expense	62,063	83,185
Other operating expenses	25,871	42,146
Total operating expenses	3,479,670	3,089,594
Operating income	771,929	1,494,821
NONOPERATING REVENUES AND EXPENSES		
Intergovernmental revenues, restricted	142,500	-
Investment earnings	55,588	14,529
Project-related expenses	(199,138)	(27,354)
Debt service, interest and fees	(256,571)	(275,117)
Gain (loss) on disposal of capital assets	(1,653)	(651)
Other miscellaneous revenues	3,793	9,113
Transfers	15,636	-
Total nonoperating revenues and expenses	(239,845)	(279,480)
Change in net position	532,084	1,215,341
Beginning net position (July 1)	20,461,168	19,245,827
Restatement from change in accounting principles (GASBS 75)	70,827	-
Beginning net position-restated	20,531,995	19,245,827
Net position, ending (June 30)	\$ 21,064,079	\$ 20,461,168

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, 2018

With Comparative Totals For the Year Ended June 30, 2017

Enterprise Fund: Public Utilities			
Totals			
	2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,053,756	\$	4,218,881
Cash received from other operations	63,581		68,901
Cash paid to employees for services	(785,067)		(744,186)
Cash paid for goods and services	(1,530,147)		(1,289,758)
Net cash flows from operating activities	1,802,123		2,253,838
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Government grants for non-capital purchases	136,500		-
Due from (to) other funds and projects	(8,071)		9,110
Net cash flows from non-capital financing activities	128,429		9,110
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Government grants for capital purchases	6,000		-
Debt service, principal reduction	(843,165)		(827,003)
Debt service, interest and fees	(259,716)		(278,230)
Purchase and construction of capital assets	(386,525)		(436,662)
Proceeds on disposal of capital assets	17,383		(27,354)
Net cash flows from capital and related financing activities	(1,466,023)		(1,569,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	55,588		14,529
Net cash flows from investing activities	55,588		14,529
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	520,117		708,228
Beginning cash, cash equivalents, and restricted cash (July 1)	4,975,346		4,267,118
Ending cash, cash equivalents, and restricted cash (June 30)	\$ 5,495,463	\$	4,975,346
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 771,929	\$	1,494,821
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	(138,055)		(305,746)
2. Decrease (increase) in prepayments and inventories	5,692		(11,824)
3. Increase (decrease) in accounts payable and contract retainages	116,109		94,239
4. Increase (decrease) in customer deposits	-		(282,344)
5. Increase (decrease) in accrued compensatory leave and retirement benefits	(70,662)		2,796
6. Increase (decrease) in net pension liability (asset)	(53,775)		151,572
7. Bad debt expense (not a cash expenditure, no effect on cash flow)	62,063		83,185
8. Pension deferrals (not a cash expenditure, no effect on cash flow)	(59,199)		(140,978)
9. Depreciation expense (not a cash expenditure, no effect on cash flow)	1,168,021		1,168,117
Net cash flows from operating activities	\$ 1,802,123	\$	2,253,838

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, 2018

With Comparative Totals as of June 30, 2017

	Agency Funds	
	Totals	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 111,569	\$ 91,194
Taxes receivable, net	295,646	310,216
Total assets	\$ 407,215	\$ 401,410
LIABILITIES		
Accounts payable and accrued expenses	\$ 111,569	\$ 91,194
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable, net	295,646	310,216
Total liabilities and deferred inflows	\$ 407,215	\$ 401,410

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

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2018

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

3. Notes to Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
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b. Detail Notes on Important Items	Note b	60
c. Joint Ventures	Note c	94
d. Jointly Governed Organization	Note d	95
e. Benefit Payments Issued by the State	Note e	96
f. Stewardship, Compliance, Accountability, and Significant Events	Note f	97
g. Prior Period Adjustments and Other Restatements	Note g	97

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

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2018
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 would present component units as a department or unit of the County, and would offer 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 Board of Education that administers Montgomery County Schools) is not a component unit.

B. Basis of Presentation

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

The Statement of Activities presents a comparison between the direct expenses and the program revenues for each business-type activity of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as the general property tax and the sales 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, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosures of contingent items 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. The distinction between major and non-major funds is based on a comparison made each year between each individually reported fund and the sum of all funds, except that the General Fund is always major for the local government entity.

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, sales 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 Property 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 sub-funds for Federal Forfeitures and State Substance Tax, Fire Protection, Court Facilities, Recreation, and Haltiwanger Retreat. For presentation purposes, all of these sub-funds are shown as departments within the General Fund.

Educational Facilities Fund. This fund accounts for financial activity for major building, expansion, and renovation projects of Montgomery County Schools, the local public school system. The current project is to construct a new high school to be named Montgomery Central High School with school colors of gold and black and the mascot of Timberwolves.

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

Public Utilities Fund. This fund accounts for the operation, maintenance, and ongoing development of the County water and sewer facilities. The Water and Sewer Operations Sub-Fund and Water and Sewer Projects Sub-Fund are combined within this reported 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 Airport Projects Fund, and the County 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.

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

Agency Funds. Agency funds are custodial in nature (where assets equal liabilities and, thus, equity is zero) and do not involve the measurement of operating results (meaning no revenues or expenditures). Agency funds are used to account for assets that 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 County's Department of Social Services for 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 yet 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 the Montgomery County Board of Education that oversees Montgomery County Schools;
- the Inmate Trust Fund, which accounts for monies deposited for the benefit of incarcerated inmates at the County Jail / Detention Center;
- the Soil & Water Conservation Trust Fund, which accounts for the receipt and use of State matching funds to the Montgomery County Soil & Water Conservation District; and
- the Agriculture Advisory Board Trust Fund, which accounts for monies collected for the benefit of the local agricultural community, which is further assisted by Montgomery County Cooperative Extension.

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 property taxes, sales taxes, and all other 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's enterprise fund is charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise funds

include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

b. Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Notable differences to the (full) accrual method are that 1) general capital asset acquisitions are reported as expenditures and 2) 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 (asset) in these financial statements and are offset by unavailable revenues (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 appropriate funds, whether special revenue funds or agency funds.

Sales taxes collected and held on behalf of the County by the State for sales occurring prior to year-end are recognized as revenue. Expenditure-driven grant awards 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 resources 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 Board of County Commissioners 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. For all other funds, project ordinances are adopted for certain grant funded and other projects that overlap multiple fiscal years, such as for the Community Development Fund. Unencumbered annual appropriations lapse at fiscal year-end. 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 unused budget for unspent funds on continuing projects across fiscal years.

However, except for ongoing projects, the Board of County Commissioners must consider for approval all amendments that alter total estimated revenues or total appropriations. During the year, the Board of County Commissioners approved to transfer \$5,000,000 of reserves from the General Fund to the Educational Facilities Fund to aid in financing the construction of a new high school; to accept State grants for expansion of social services programs, public health services, and other activities; and to acknowledge other differences between budgeted estimates and actual results. A few 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 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; 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). All investments of the County and the TDA are so invested.

Both the County's and the TDA's non-money market investments and investments that mature more than four months 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) money market mutual fund, are valued at fair value, which is based on 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

Money in the Property 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 sources. Unexpended loan proceeds, if any, 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.

4. Ad Valorem Property Taxes Receivable

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

5. Allowances for Uncollectible Accounts

All receivables that historically experience significant uncollectible accounts are shown net of an allowance for doubtful (or uncollectible) accounts. The allowance amount is estimated by analyzing the percentage of receivables that were considered uncollectible and 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 inventories of the County's General Fund and the County's Public Utilities Fund consist of materials and supplies held for consumption. The cost of the inventory is recorded as either an expenditure or expense as it is consumed.

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 either expenditures or expenses in the period in which they are used.

In the Fund Financial Statements of governmental funds, both the amount of inventory and the amount of prepaid items are offset by a non-spendable fund balance on the balance sheet. A non-spendable fund balance indicates an amount of resources that is not immediately 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 OPEB and pension plans during the fiscal year and other OPEB or 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 OPEB or pension-related deferrals.

9. 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.

10. 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.

11. Net Position/Fund Balances

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

b. Fund Balances: In the governmental Fund Financial Statements, fund balance is composed of five reported classifications designed to disclose the hierarchy of constraints placed on how fund balance may be spent: 1) non-spendable, 2) restricted, 3) committed, 4) assigned, and 5) unassigned (or uncommitted or available). 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. The governmental fund types classify fund balances into 1 of these 5 classifications and to 1 of 10 functions (either General Government, Transportation, Public Safety, Human Services, Environmental Protection, Education (intergovernmental), Schools Capital Outlay, Economic & Physical Development, Cultural & Recreational, or Debt Service) as follows:

- 1) Non-spendable – portion of fund balance that cannot be immediately 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).
 - i) Inventories - portion of fund balance that is not an available resource for appropriation because it represents the year-end balance of ending inventories, which are spent resources (i.e. not available to spend again).
 - ii) Prepaid Items - portion of fund balance that is not an available resource for appropriation because it represents the year-end balance of prepaid expenditures, which are spent resources (i.e. not available to spend again).
- 2) Restricted – portion of spendable fund balance restricted to specific purposes that are externally imposed by creditors or laws.
 - i) Restricted for Stabilization from State Statute - portion of spendable fund balance that is not available for appropriation under NCGS 159; this amount is typically comprised of receivables that are not offset by unavailable revenues.
 - ii) Restricted for a specific government function – portion of fund balance that is restricted by revenue source for expenditures of the indicated functional nature.
- 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.
 - i) Committed for a specific government function – portion of fund balance that is committed by the Board of County Commissioners for expenditures of the indicated functional nature.

- 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.
- i) 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.
 - ii) Assigned for a specific government function – portion of fund balance that is assigned by management for expenditures of the indicated functional nature.
- 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.

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 i) cash and investments ii) less encumbrances, iii) less liabilities, and iv) less unavailable revenues arising from cash receipts as calculated at the end of the fiscal year preceding the appropriation. This statutorily calculated amount represents fund balance available for appropriation. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Then, after accounting for non-spendable fund balance, Restricted for Stabilization per State Statute is the remaining non-appropriable portion of fund balance. (Total fund balance less fund balance available for appropriation less non-spendable fund balance equals Restricted for Stabilization of State Statute.) 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).

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 Manager and County Finance Director are authorized to deviate from this policy to comply with funding stipulations and when in the best interest of the County.

12. Defined Benefit Pension and OPEB Plans

The County participates in two (2) 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"); one single-employer, self-administered, defined benefit pension plan, the Law Enforcement Officers' Special Separation Allowance (LEOSSA); and one other postemployment benefit plan (OPEB) for retiree healthcare coverage (RHC) benefits. Investments for all plans are reported at fair value.

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources related to pensions, 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 contributions (as employer) 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.

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the RHC and additions to/deductions from the RHC's fiduciary net position have been determined on the same basis as they are reported by the RHC. For this purpose, the RHC recognizes benefit payments when due and payable in accordance with the benefit terms.

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 largest differences result from the dissimilar treatment of capital assets and long-term liabilities (including pensions).

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 largest differences result from the dissimilar treatment of capital assets and long-term liabilities.

Note b: DETAIL NOTES ON IMPORTANT ITEMS

A. Assets

1. Deposits

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

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

At June 30, 2018, the County's deposits had a carrying amount of \$4,523,601 and a bank balance of \$4,904,241. Of the bank balance, \$347,844 was covered by federal depository insurance and the remaining \$4,556,397 in interest bearing deposits was covered by collateral held under the pooling method. In addition, escrow agents were holding \$0 in unspent and non-invested loan proceeds. Also at June 30, 2018, the County had \$1,646 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 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, 2018, the TDA's deposits had a carrying amount of \$152,156 and a bank balance of \$152,156. At June 30, 2017, the TDA's deposits had a carrying amount of \$112,482 and a bank balance of \$112,482. For both years, the entire bank balance was covered by federal depository insurance. At June 30, 2018 and June 30, 2017, the TDA had \$0 cash on hand.

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

Type of Restricted Cash	Corresponding Fund	June 30, 2018	June 30, 2017
Governmental activities:			
Property tax revaluation	General Fund	\$ 403,400	\$ 294,231
Federal and state forfeitures	General Fund	62,780	48,739
Court facilities fees	General Fund	133,617	115,294
Unspent loan proceeds	Educational Facilities Fund	66,310,648	-
Total governmental activities		66,910,445	458,264
Total restricted cash		\$ 66,910,445	\$ 458,264

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 (or loans for capital needs) of Montgomery County Schools. As of June 30, 2018, these resources amount to \$705,060. On June 30, 2017, these resources amounted to \$679,115. Applications to withdraw these funds shall be approved by both the Chair of the Board of Education for Montgomery County Schools and the Chair of the Board of County Commissioners. During the years ended June 30, 2018 and June 30, 2017, the annual withdrawal was \$250,000 and \$250,000, respectively.

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 days, it is presented below as an investment with a maturity of 0 to 3 months. For a schedule of cash and investment balances by fund and other information, see 'Exhibit II.E.01' in Subsection E of Section II of this report.

At June 30, 2018, the County's investment balances and maturities are as follows, including unspent loan proceeds:

Investment Type	Valuation Measurement Method	Fair Market		Due to Mature Within:		
		Value (FY18)	0 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years
U.S. Treasury notes	Level 1	\$ 35,673,870	-	20,852,940	14,820,930	-
Commercial paper	Level 2	29,934,172	15,004,941	14,929,231	-	-
NCCMT Government Portfolio	Amortized Cost	5,974,741	n/a	n/a	n/a	n/a
NCCMT Term Portfolio	Level 1	22,518,330	22,518,330	-	-	-
Duke Energy Premier Notes	Level 1	206,218	206,218	-	-	-
Total Investments		\$ 94,307,331	\$ 37,729,489	\$ 35,782,171	\$ 14,820,930	\$ -

At June 30, 2017, the County's investment balances and maturities were as follows:

Investment Type	Valuation Measurement Method	Fair Market Value (FY17)	0 to 3 months	Due to Mature Within:		
				3 to 12 months	1 to 2 years	2 to 3 years
NCCMT Government Portfolio	Amortized Cost	\$ 2,570,555	n/a	n/a	n/a	n/a
NCCMT Term Portfolio	Level 1	23,176,486	23,176,486	-	-	-
Duke Energy Premier Notes	Level 1	203,172	203,172	-	-	-
Total Investments		\$ 25,950,213	\$ 23,379,658	\$ -	\$ -	\$ -

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, 2018 and 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, excluding unspent loan proceeds for the new high school, the County had no investment of 5% or greater of the total portfolio with any single issuer. For the previous year, the County had no investment of 5% or greater of the total portfolio with any single issuer.

However, for this year, due to the investment of unspent loan proceeds, the County has invested 36.0% of the total portfolio in U.S. Treasury Notes, which are considered to be one of the safest investment vehicles. The County has no other investment of 13% 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.

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, 2018 (these amounts have not been recorded in the financial statements):

Tax Year Levied	Additional Tax	Interest	FY18 Total
2017	\$ 703,378	\$ 40,445	\$ 743,823
2016	690,323	101,823	792,146
2015	680,839	161,700	842,539
2014	586,523	192,087	778,610
Total	\$ 2,661,063	\$ 496,055	\$ 3,157,118

On June 30, 2017, the amount of property taxes that would become due if all qualified properties in the County had lost eligibility for present-use value taxation looked as follows (these amounts have not been recorded in the financial statements):

Tax Year Levied	Additional Tax	Interest	FY17 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, 2018 are reported net of an allowance for uncollectible accounts as follows:

	Taxes & Other Assessments	Accounts	Due from Other Governments	FY18 Total
Governmental activities:				
General Fund	\$ 1,653,105	\$ 2,400,141	\$ 197,763	\$ 4,251,009
Educational Facilities Fund	-	44,629	9,863	54,492
Nonmajor governmental funds	26,352	146,434	46,916	219,702
Total receivables	1,679,457	2,591,204	254,542	4,525,203
General Fund	(872,363)	(110,984)	-	(983,347)
Nonmajor governmental funds	(14,023)	-	-	(14,023)
Total allowances for uncollectible accounts	(886,386)	(110,984)	-	(997,370)
Total governmental activities	\$ 793,071	\$ 2,480,220	\$ 254,542	\$ 3,527,833
Business-type activities:				
Water System Fund, receivables	\$ -	\$ 1,256,989	\$ 28,796	\$ 1,285,785
Water System Fund, allowances	-	(492,650)	-	(492,650)
Total business-type activities	\$ -	\$ 764,339	\$ 28,796	\$ 793,135

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

	Taxes & Other Assessments	Accounts	Due from Other Governments	FY17 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)	(109,547)	-	(846,622)
Nonmajor governmental funds	(11,201)	-	-	(11,201)
Total allowances for uncollectible accounts	(748,275)	(109,547)	-	(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

5. Capital Assets

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

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

The tables below display the changes in capital assets, including accumulated depreciation. Additions and retirements of capital assets reflect purchases, sales, and other similar activity. Depreciation expense is charged as shown under "Additions" to accumulated depreciation. Transfers are reclassifications among capital asset categories. Other changes in accumulated depreciation are offset by changes in capital assets or by recording gains/losses on the disposition of capital assets.

For the fiscal year ended June 30, 2018, combined capital assets of both governmental activities and business-type activities is \$70,263,697.

For the fiscal year ended June 30, 2017, combined capital assets of both governmental activities and business-type activities was \$61,273,819.

Capital asset activity, by expenditure function, for the year ended June 30, 2018 was as follows for Governmental Activities:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	FY18 Ending Balance
General Government	\$ 21,060,306	\$ 203,842	\$ (14,708)	\$ (16,292,595)	\$ 4,956,845
Transportation	3,878,093	2,435	-	(10,935)	3,869,593
Public Safety	19,446,176	469,746	(124,600)	(51,736)	19,739,586
Human Services	1,124,118	33,042	(34,604)	17,903	1,140,459
Environmental Protection	137,027	21,648	-	(19,599)	139,076
Education (Schools Capital)	1,844,570	10,604,467	(11,500)	16,290,242	28,727,779
Economic and Physical Dev.	3,695,115	-	-	19,599	3,714,714
Cultural and Recreational	644,366	-	-	-	644,366
	51,829,771	11,335,180	(185,412)	(47,122)	62,932,417
Less Accumulated Depreciation:					
General Government	(6,494,371)	(118,353)	21,260	3,312,078	(3,279,386)
Transportation	(532,112)	(71,425)	-	10,936	(592,601)
Public Safety	(7,241,558)	(642,790)	78,078	24,541	(7,781,729)
Human Services	(741,608)	(35,567)	53,116	-	(724,059)
Environmental Protection	(71,858)	(1,754)	230	-	(73,382)
Education (Schools Capital)		(414,210)	3,524	(3,316,069)	(3,726,755)
Economic and Physical Dev.	(792,304)	(241,659)	17,778	-	(1,016,185)
Cultural and Recreational	(445,568)	(9,331)	-	-	(454,899)
Total Accumulated Deprec.	(16,319,379)	(1,535,090)	173,986	31,486	(17,648,998)
Total Capital Assets, Net	\$ 35,510,392	\$ 9,800,090	\$ (11,426)	\$ (15,636)	\$ 45,283,419

Capital asset activity, by asset class, for the year ended June 30, 2018 is as follows for Governmental Activities.

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	FY18 Ending Balance
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 1,127,580	\$ -	\$ -	\$ 3,361,898	\$ 4,489,478
Construction in Progress	2,430,928	10,798,689	-	(3,525,279)	9,704,338
Subtotal	3,558,508	10,798,689	-	(163,381)	14,193,816
Capital Assets Being Depreciated:					
Buildings and Improvements	33,344,260	-	-	136,809	33,481,069
Airport Infrastructure	2,875,769	-	-	-	2,875,769
Vehicles and Motorized Equipment	6,949,402	525,097	(163,716)	(20,550)	7,290,233
Other Equipment	5,101,832	11,394	(21,696)	-	5,091,530
Subtotal	48,271,263	536,491	(185,412)	116,259	48,738,601
Total Capital Assets	51,829,771	11,335,180	(185,412)	(47,122)	62,932,417
Less Accumulated Depreciation:					
Buildings and Improvements	(10,206,603)	(808,362)	-	10,936	(11,004,029)
Airport Infrastructure	(448,920)	(70,096)	-	-	(519,016)
Vehicles and Motorized Equipment	(4,320,333)	(346,675)	152,844	20,550	(4,493,614)
Other Equipment	(1,343,524)	(309,957)	21,142	-	(1,632,339)
Total Accumulated Deprec.	(16,319,380)	(1,535,090)	173,986	31,486	(17,648,998)
Total Capital Assets, Net	\$ 35,510,392	\$ 9,800,090	\$ (11,426)	\$ (15,636)	\$ 45,283,419

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, 2018 is as follows for Business-Type Activities.

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	FY18 Ending Balance
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 95,256	\$ -	\$ -	\$ 15,636	\$ 110,892
Construction in Progress	350,541	281,020	-	(376,096)	255,465
Subtotal	445,797	281,020	-	(360,461)	366,357
Capital Assets Being Depreciated:					
Buildings and Improvements	5,557,195	-	-	10,936	5,568,132
Lines and Related Infrastructure	35,513,283	29,434	-	376,096	35,918,813
Vehicles and Motorized Equipment	482,100	60,434	(92,693)	20,550	470,390
Other Equipment	4,162,156	-	(11,552)	-	4,150,604
Subtotal	45,714,735	89,868	(104,245)	407,583	46,107,940
Total Capital Assets	46,160,531	370,889	(104,245)	47,122	46,474,297
Less Accumulated Depreciation:					
Buildings and Improvements	(4,501,304)	(137,841)	-	(10,936)	(4,650,082)
Lines and Related Infrastructure	(14,500,634)	(876,046)	-	-	(15,376,680)
Vehicles and Motorized Equipment	(314,903)	(37,187)	91,041	(20,550)	(281,600)
Other Equipment	(1,080,263)	(116,945)	11,552	-	(1,185,657)
Total Accumulated Deprec.	(20,397,104)	(1,168,021)	102,592	(31,486)	(21,494,019)
Total Capital Assets, Net	\$ 25,763,428	\$ (797,134)	\$ (1,652)	\$ 15,636	\$ 24,980,278

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	FY17 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
Education (Schools Capital)	-	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)
Education (Schools Capital)	-	-	-	-	-
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

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	FY17 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	\$ (103,646)	\$ -	\$ 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	FY17 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	5,533,650	-	-	23,545	5,557,195
Lines and Related Infrastructure	35,511,283	-	-	2,000	35,513,283
Vehicles and Motorized Equipment	420,857	61,243	-	-	482,100
Other Equipment	4,156,340	6,773	(54,241)	53,284	4,162,156
Subtotal	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	(4,363,772)	(137,532)	-	-	(4,501,304)
Lines and Related Infrastructure	(13,626,477)	(874,157)	-	-	(14,500,634)
Vehicles and Motorized Equipment	(271,318)	(43,585)	-	-	(314,903)
Other Equipment	(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

6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2018:

Project Name	FY18 Spent-To-Date	Remaining Commitments
Improvements to Parking Areas	\$ 355,820	\$ 5,883
Montgomery Central High School Construction	5,518,952	55,665,748
Total	\$ 5,874,772	\$ 55,671,631

The County was involved with the following incomplete construction/renovation projects as of June 30, 2017:

Project Name	FY17 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

The tables above reveal the County's commitments with the primary contractor on each of these projects.

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2018 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	FY18 Total
Governmental Activities:				
General Fund	\$ 679,559	\$ 336,906	\$ -	\$ 1,016,465
Educational Facilities Fund	3,748,336	-	-	3,748,336
Nonmajor Governmental Funds	23,425	-	-	23,425
Total Governmental Activities	\$ 4,451,320	\$ 336,906	\$ -	\$ 4,788,226
Business-Type Activities:				
Water System Fund	\$ 330,788	\$ 32,421	\$ -	\$ 363,209
Fiduciary Activities:				
Agency Funds	\$ -	\$ -	\$ 111,569	\$ 111,569

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	FY17 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 \$1,376,779 and \$727,392 as of June 30, 2018 and 2017, respectively. 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 an 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 \$593,114 and \$366,065 as of June 30, 2018 and 2017, respectively, 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. The County is a participating employer in LGERS, a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and law enforcement officers (LEOs) of 900 participating local government entities. 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 thirteen (13) members – nine (9) of which are appointed by the Governor, one (1) appointed by the state Senate, one (1) appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The State of North Carolina's annual financial report includes all financial statements and required supplementary information for LGERS. You may obtain the State's annual financial report by submitting your request to the Office of the State Controller, (919) 981-5454, www.osc.nc.gov, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan 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 are \$551,436 for the year ended June 30, 2018. For the years ended June 30, 2017, 2016, and 2015, the County's contributions to LGERS were \$542,605, \$491,297, and \$502,724, 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, 2018, was 8.25% of compensation for LEOs and 7.50% 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, 2017, 2016, and 2015 were set at 8.00%, 7.57%, and 7.15%, respectively, of compensation for LEOs and 7.25%, 7.07%, and 6.67%, respectively, for general employees. Also, County employees are required to contribute 6% of their compensation.

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. 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 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, 2018, the County reported a liability of \$1,800,880 for its proportionate share of the LGERS net pension liability. The LGERS net pension liability was measured as of June 30, 2017. 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, 2016. The LGERS total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was 0.11788%, which was a significant decrease from its 0.12303% proportion measured as of June 30, 2016. This presentation at June 30, 2018 is the fourth presentation of this information in the County's annual financial statements.

For the year ended June 30, 2018, the County recognizes pension expense of \$598,603. At June 30, 2018, the County reports deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Items not reported in the funds for the year ended June 30, 2018:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2017	\$ -	\$ 551,436
Changes of assumptions		257,191
Difference between expected and actual experience	50,977	103,747
Difference between projected and actual earnings	-	437,256
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	73,119	
Total items	\$ 124,096	\$ 1,349,630

The \$551,436 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2017 will be recognized as a decrease of the net pension liability in the

year ended June 30, 2019. 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
2019	\$ 72,570
2020	501,652
2021	245,417
2022	(145,542)
2023	-
Thereafter	-

At June 30, 2017, the County reported 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.

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:

Items not reported in the funds for the year ended June 30, 2017:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2016	\$ -	\$ 542,605
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 of June 30, 2016 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	408,324
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2016 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 7.20% per year, including an inflation component of 3.00%.

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 7.25% per year, including an inflation component of 3.00%.

The actuarial assumptions used in both the December 31, 2016 and December 31, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014. The plans currently use 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 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%	n/a

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 (TPL) as of June 30, 2018 was 7.20%, down from 7.25% used to measure TPL as of June 30, 2017. 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. For the reporting year ended June 30, 2018, the following presents the County's proportionate share of the LGERS net pension liability calculated using the discount rate of 7.20%, as well as what the County's proportionate share of the LGERS net pension

asset or LGERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (which is a rate of 6.20%) or one percentage point higher (which is a rate of 8.20%) than the discount rate applied:

for the year ended June 30, 2018	Lower Discount Rate of 6.20%	Current Discount Rate of 7.20%	Higher Discount Rate of 8.20%
County's proportionate share of LGERS NPL (NPA)	\$ 5,406,282	\$ 1,800,880	\$ (1,208,493)
where NPL (NPA) represents net pension liability (or net pension asset)			

For the reporting year ended June 30, 2017, the following presents the County's proportionate share of the LGERS net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the LGERS net pension asset or LGERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (which is a rate of 6.25%) or one percentage point higher (which is a rate of 8.25%) than the discount rate applied:

for the year ended June 30, 2017	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 in each year indicated below, the LEOSSA's membership can be categorized as follows:

Member Category	2017	2016	2015
Retirees currently receiving benefits	6	6	7
Terminated plan members entitled to but not yet receiving benefits	1	-	-
Active plan members:			
Vested	17	18	20
Non-Vested	11	11	9
Total Members	35	35	36

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 both the December 31, 2016 and December 31, 2015 actuarial valuations were 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 2.50% for December 31, 2016 and 3.00% for December 31, 2015. 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 3.16% per year as of December 31, 2016, which is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2016. The actuarial assumptions also included a discount rate of 3.86% per year as of December 31, 2015, which is based on the weekly average yield of the Bond Buyer General Obligation 20-Year Municipal Bond Index as determined at the end of each month.

For both actuarial valuations, the plan 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 LEOSSA benefit payments and administration expenses on a pay-as-you-go basis through appropriations made in the General Fund operating budget. Therefore, without advanced contributions, the County has not setup an irrevocable pension trust plan. 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 LEOSSA for the years ended June 30, 2018, 2017, and 2016 are \$62,308, and \$55,773, and \$53,425, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to LEOSSA Pension. At June 30, 2018, the County is reporting a total pension liability of \$679,920. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. This presentation at June 30, 2018 is the second presentation of this information in the County's annual financial statements.

For the year ended June 30, 2018, the County recognizes pension expense of \$42,575. At June 30, 2018, the County is reporting deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Items not reported in the funds for the year ended June 30, 2018:	Deferred Inflows of Resources	Deferred Outflows of Resources
County benefit payments and admin expenditures paid Subsequent to the measurement date	\$ -	\$ 37,443
Difference between projected and actual experience	50,254	-
Changes of assumptions and other inputs	10,432	28,931
Total items	\$ 60,686	\$ 66,374

The County paid \$36,810 in benefit payments and \$633 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. As of June 30, 2018, other amounts reported as deferred outflows and all amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase (Decrease) to Pension Expense
2019	\$ 6,289	\$ (13,573)	\$ (7,284)
2020	6,289	(13,573)	(7,284)
2021	6,289	(13,573)	(7,284)
2022	6,289	(13,413)	(7,124)
2023	3,775	(6,554)	(2,779)
Thereafter	-	-	-

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.

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 for the year ended June 30, 2017:	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. As of June 30, 2017, other amounts reported as deferred outflows and all amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase (Decrease) to Pension Expense
2018	\$ -	\$ (2,648)	\$ (2,648)
2019	-	(2,648)	(2,648)
2020	-	(2,648)	(2,648)
2021	-	(2,648)	(2,648)
2022	-	(2,488)	(2,488)
Thereafter	-	-	-

Sensitivity of the County's total pension liability to changes in the discount rate. For the reporting year ended June 30, 2018, the following presents the County's total pension liability calculated using the discount rate of 3.16%, 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 (2.16%) or 1-percentage-point higher (4.16%) than the discount rate applied:

for the year ended June 30, 2018	Lower Discount Rate of 2.16%	Current Discount Rate of 3.16%	Higher Discount Rate of 4.16%
LEOSSA total pension liability	\$ 730,158	\$ 679,920	\$ 634,237

For the reporting year ended June 30, 2017, 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 discount rate applied:

for the year ended June 30, 2017	Lower Discount Rate of 2.86%	Current Discount Rate of 3.86%	Higher Discount Rate of 4.86%
LEOSSA total pension liability	\$ 770,740	\$ 714,648	\$ 663,635

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, 2016 and December 31, 2015 valuations were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

A two-year comparison of the LEOSSA total pension liability follows:

Schedule of Changes in LEOSSA Total Pension Liability:	December 31, 2016	December 31, 2017
Total Pension Liability (TPL) as of beginning of calendar year	726,617	714,648
Changes for the year:		
Service cost (aka Entry Age Normal Cost)	31,912	22,760
Interest (at the Discount Rate)	24,992	26,466
Changes in benefit terms	-	-
Benefit payments	(53,145)	(57,995)
Difference between projected and actual experience	-	(61,179)
Changes of assumptions and other inputs	(15,728)	35,220
Other changes	-	-
Net changes	(11,969)	(34,728)
Total Pension Liability (TPL) as of end of calendar year	714,648	679,920
Payroll of covered employees	1,188,937	991,893
TPL as a % of covered-employee payroll	60.108%	60.545%

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.71 percent at June 30, 2016 to 3.13 percent at June 30, 2017.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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, 2018 were \$104,641, which consisted of \$50,011 from the County and \$54,630 from the law enforcement officers. Contributions to SRIP for the years ended June 30, 2017, 2016, and 2015 were \$104,049, \$102,742 and \$74,763, respectively, which consisted of \$48,486, \$49,372, and \$51,568, respectively, from the County and \$55,553, \$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, 2018 were \$351,285, which consisted of \$127,022 from the County and \$224,263 from employees.

Contributions to the 401(k) plan for the years ended June 30, 2017, 2016, and 2015 were \$309,440, \$294,579, and \$213,031, respectively, which consisted of 117,193, \$102,182, and \$99,929, respectively, from the County and \$192,247, \$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 from employees to the IRS 457 plan for the year ended June 30, 2018 is \$920. For the years ended June 30, 2017, 2016, and 2015, contributions were \$1,440, \$2,350, and \$4,061, respectively from employees.

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

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a 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 thirteen (13) members – nine (9) appointed by the Governor, one (1) appointed by the state Senate, one (1) 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 are \$2,165 for the year ended June 30, 2018. Contributions to the RODSPF pension plan from the County were \$1,922, \$2,214, and \$1,992 for the years ended June 30, 2017, 2016 and 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to RODSPF Pension. At June 30, 2018, the County reports an asset of \$41,380 for its proportionate share of the RODSPF net pension asset. The RODSPF net pension asset was measured as of June 30, 2017. 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, 2016. The RODSPF total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2018, the County's proportion is 0.2424%, which was a slight change from its 0.2484% proportion measured as of June 30, 2017. This presentation at June 30, 2018 is the fourth presentation of this information in the County's financial statements.

For the year ended June 30, 2018, the County recognized pension expense of \$6,626. At June 30, 2018, the County reports deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Items not reported in the funds for the year ended June 30, 2018:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2017	\$ -	\$ 2,165
Difference between projected and actual costs	133	710
Difference between projected and actual earnings	-	3,518
Changes in assumptions	-	6,982
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	59	986
Total items	\$ 192	\$ 14,361

The \$2,165 being reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2017 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
2019	\$ 6,856
2020	3,849
2021	402
2022	897
2023	-

At June 30, 2017, the County reported 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.

For the year ended June 30, 2017, the County recognized pension expense of \$2,292. 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 for the year ended June 30, 2017:	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

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, 2019.

Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized as a component of pension expense in subsequent years as follows:

<u>Year Ending June 30</u>	<u>Pension Expense</u>
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 3.50%. 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.

The plans currently use mortality tables that vary by age, gender, 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 both the December 31, 2016 and the December 31, 2015 valuations 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 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including RODSPF. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. In both years, 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.

Sensitivity of the County's proportionate share of the RODSPF net pension asset to changes in the discount rate-2018. For the reporting year ended June 30, 2018, 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:

for the year ended June 30, 2018	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)	\$ (32,524)	\$ (41,380)	\$ (48,828)
where NPL (NPA) represents net pension liability (or net pension asset)			

For the reporting year ended June 30, 2017, 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:

for the year ended June 30, 2017	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)	\$ (37,749)	\$ (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), were hired before July 1, 2013, 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. 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. At June 30, 2018, forty-seven (47) retirees were receiving post-employment healthcare benefits. At June 30, 2017, 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. 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 June 30, 2017 (which is the date of the latest actuarial valuation), the OPEB-RHC's membership consisted of:

Member Category	June 30, 2017
Retirees currently receiving benefits	47
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members:	
Vested	49
Non-vested and eligible for RHC benefits	66
Non-vested and non-eligible for RHC benefits	94
Total members	256

Total OPEB Liability: The County's total OPEB liability of \$4,872,168 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement: i) inflation of 2.50%, ii) salary increases of 3.50% to 7.75% including real wage growth, iii) healthcare cost trend rates, pre-Medicare of 7.50%, iv) healthcare cost trend rates, Medicare of 5.50%, and v) discount rate of 3.56%. The discount rate used to measure the total OPEB liability was based on the June 2017 average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability:

Schedule of Changes in OPEB-RHC Total OPEB Liability:	June 30, 2017
Total OPEB Liability (TOL) as of beginning of fiscal year	5,079,910
Changes for the year:	
Service cost (aka Entry Age Normal Cost)	138,063
Interest on TOL and Cash Flows (at the Discount Rate)	149,803
Changes in benefit terms	-
Benefit payments	(207,667)
Difference between projected and actual experience	8,095
Changes of assumptions and other inputs	(296,036)
Other changes	-
Net changes	(207,742)
Total OPEB Liability (TOL) as of end of fiscal year	4,872,168
Payroll of covered employees	4,040,533
TOL as a % of covered-employee payroll	120.582%

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014. Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

for the year ended June 30, 2018	Lower Discount Rate of 2.56%	Current Discount Rate of 3.56%	Higher Discount Rate of 4.56%
County's proportionate share of OPEB-RHC TOL (TOA)	\$ 5,429,157	\$ 4,872,168	\$ 4,391,407
where TOL (TOA) represents total OPEB liability (or total OPEB asset)			

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

for the year ended June 30, 2018	1% Lower Rates	Current Rates	1% Higher Rates
County's proportionate share of OPEB-RHC TOL (TOA)	\$ 4,510,333	\$ 4,872,168	\$ 5,295,456
where TOL (TOA) represents total OPEB liability (or total OPEB asset)			

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$239,635. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Items not reported in the funds for the year ended June 30, 2018:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to OPEB plan after June 30, 2017	\$ -	\$ 193,020
Difference between projected and actual costs	-	6,739
Changes of assumptions and other inputs	246,449	-
Total items	\$ 246,449	\$ 199,759

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

The \$193,020 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, 2019. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense
2018	\$ (48,231)
2019	(48,231)
2020	(48,231)
2021	(48,231)
2022	(46,786)
Thereafter	-

For more information and additional calculations, see Part II.D.2 presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

h. Pension-Related Expense, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources

The following table presents information related to the pension expense and proportionate share of actuarially-determined liabilities for all pension plans:

for the year ended June 30, 2018	LGERS	LEOSSA	RODSPF	Total
Governmental activities:				
Pension Expense	\$ 540,490	\$ 42,575	\$ 6,627	\$ 589,692
Pension Liability (Asset)	1,661,607	679,920	(41,380)	2,306,275
Business-type activities:				
Pension Expense	43,151	-	-	43,151
Pension Liability (Asset)	139,273	-	-	133,145
Proportionate share of the NPL (NPA)	0.11788%	not applicable	0.24243%	

The following tables present information related to the deferred outflows of resources as it relates to pensions and to the deferred inflows of resources as it relates to pensions:

for the year ended June 30, 2018	LGERS	LEOSSA	RODSPF	Total
Deferred Outflows of Resources:				
Governmental activities:				
Contributions to plan after measurement date	\$ 508,565	\$ 37,443	\$ 2,165	\$ 548,173
Difference between projected and actual costs	96,077	-	710	96,787
Difference between projected and actual earnings	402,212	-	3,518	405,730
Changes in assumptions	238,176	28,931	6,982	274,089
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	-	-	986	986
Subtotals	1,245,030	66,374	14,361	1,325,765
Business-type activities:				
Contributions to plan after measurement date	42,871	-	-	42,871
Difference between projected and actual costs	7,670	-	-	7,670
Difference between projected and actual earnings	35,044	-	-	35,044
Changes in assumptions	19,015	-	-	19,015
Subtotals	104,600	-	-	104,600
Totals	\$ 1,349,630	\$ 66,374	\$ 14,361	\$ 1,430,365

for the year ended June 30, 2018	LGERS	LEOSSA	RODSPF	Total
Deferred Inflows of Resources:				
Governmental activities:				
Difference between projected and actual costs	\$ 46,786	\$ -	\$ 133	\$ 46,919
Difference between projected and actual earnings	-	50,254	-	50,254
Changes in assumptions	-	10,432	-	10,432
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	67,713	-	59	67,772
Subtotals	114,499	60,686	192	175,377
Business-type activities:				
Difference between projected and actual costs	4,191	-	-	4,191
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	5,406	-	-	5,406
Subtotals	9,597	-	-	9,597
Totals	\$ 124,096	\$ 60,686	\$ 192	\$ 184,974

4. 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.

5. 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	\$ 188,949	\$ -
Items not reported in the funds:		
Pension-related activities:		
Contributions to pension plan after measurement date:	-	548,173
Difference between projected and actual costs:	46,919	96,787
Difference between projected and actual earnings:	50,254	405,730
Changes of assumptions and other inputs:	10,432	274,089
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:	67,772	986
OPEB-related activities:		
Contributions to plan after measurement date (OPEB-RHC)	-	193,020
Difference between projected and actual costs (OPEB-RHC)	-	6,739
Changes of assumptions and other inputs (OPEB-RHC)	246,449	-
Total governmental activities	\$ 610,776	\$ 1,525,524

Reporting Fund / Revenue Item	Deferred Inflows of Resources	Deferred Outflows of Resources
Water System Fund:		
Pension-related activities, LGERS:		
Contributions to pension plan after measurement date	-	42,871
Difference between projected and actual costs	4,191	7,670
Difference between projected and actual earnings	-	35,044
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	5,406	19,015
OPEB-related activities, LGERS:		
Contributions to pension plan after measurement date	-	-
Difference between projected and actual costs	-	-
Changes of assumptions and other inputs	-	-
Total business-type activities	\$ 9,597	\$ 104,600

6. Risk Management

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

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

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

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

7. 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.

8. Long-Term Obligations

a. Operating Leases

The County leases equipment and land for operational purposes, as well as water, right-of-way, and other use agreements. Terms vary from monthly payments of \$331 - \$4,549 and maturity dates from June 2018 to July 2035. Future minimum lease payments under the operating lease agreements are as follows:

<u>Year Ending June 30</u>		
2019	\$	117,798
2020		43,311
2021		41,526
2022		40,385
2023		40,385
Thereafter		398,072
Total	\$	<u>681,477</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 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 Lease

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, 2018, the leased equipment was valued at the following:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Equipment	<u>\$ 409,379</u>	<u>\$ 81,876</u>	<u>\$ 327,503</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Year Ending June 30</u>		
2019	\$	94,556
2020		94,556
2021		94,556
2023		94,556
Total minimum lease payments		<u>378,224</u>
Less: amount representing interest		<u>42,932</u>
Total net present value	\$	<u>335,292</u>

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. In March 2018 the County sold certificates of participation to construct a new high school.

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.

With the March 2018 issue of \$67,675,000, the financing agreement requires five (5) semi-annual payments of interest at 3.00% beginning September 1, 2018 and ending September 1, 2020 on the construction loan, at which time a principal payment of \$67,675,000 is due and will be financed by a new USDA loan. The USDA loan will require forty (40) annual payments of principal and of interest at 2.75%.

Each year when due, principal and interest payments will be appropriated in the County's General Fund or the County's Educational Facilities 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 *f. 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 \$2,554,930 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 *f. 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 Public Utilities 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 *f. 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 Environmental Quality. 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 Public Utilities 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 *f. 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, 2018.

	Outstanding at June 30, 2018	Outstanding at June 30, 2017
General Fund: Certificates of Participation (COPS)		
\$8,353,601 - Facilities Advanced Refunding, Series 2014 COPS; due in annual installments of \$191,669 to \$1,006,254 through February 1, 2025; interest at 2.47%	\$ 6,821,488	\$ 7,827,742
\$5,745,604 - Facilities Advanced Refunding, Series 2015 COPS; due in annual installments of \$196,473 to \$661,298 through February 1, 2025; interest at 2.47%	4,500,971	5,162,270
\$67,675,000 - School Construction, Series 2018 COPS; due in whole September 1, 2020; interest at 2.75%	67,675,000	-
Subtotal COPS	78,997,459	12,990,012
General Fund: Installment Purchase Loans (IPL)		
\$3,132,548 - Qualified School Construction Bonds, 2012 loan; due in annual installments of \$208,836 through September 27, 2027; interest at 4.21%	2,088,358	2,297,182
\$100,000 - Vehicle Purchases, 2013 loan for 59 months; due in annual payments of \$21,015 through February 28, 2018; interest at 1.65%	-	12,077
\$180,000 - Building Purchase, 2013 loan for 59 months; due in annual installments of \$38,163 through May 27, 2018; interest at 1.65%	-	35,829
\$254,930 - Vehicle Purchases, 2013 loan for 59 months; due in annual installments of \$53,575 through August 20, 2018; interest at 1.65%	52,680	104,519
Subtotal IPL	2,141,038	2,449,607
Total outstanding loans serviced by governmental activities	\$ 81,138,497	\$ 15,439,619

	Outstanding at June 30, 2018	Outstanding at June 30, 2017
Water System Fund: Drinking Water State Revolving Loans (DWSRL)		
\$4,345,162 - Drinking Water State Revolving Loan Fund, Series 2011; due in annual installments of \$255,598 through May 1, 2028; interest at 2.265% (Ref. # H-LRX-F-05-0998)	\$ 2,555,978	\$ 2,811,575
\$1,231,192 - Drinking Water State Revolving Loan Fund, Series 2013; due in annual installments of \$72,423 through May 1, 2029; interest at 2.455% (Ref. # H-LRX-F-09-0998B)	796,654	869,077
\$2,208,237 - Drinking Water State Revolving Loan Fund, Series 2014; due in annual installments of \$115,016 through May 1, 2035; interest at 0.00% (Ref. # H-LRX-F-10-1697)	1,877,001	1,987,413
Subtotal DWSRL	5,229,633	5,668,065
Water System Fund: Installment Purchase Loans (IPL)		
\$800,000 - High Service Pump, 2013 loan; due in annual installments of \$168,060 through December 17, 2017; interest at 1.67%	-	165,526
\$5,831,300 - USDA Restructuring and Refinancing, 2013 loan; due in annual payments of \$405,865 to \$411,648 through June 1, 2033; interest at 3.47%	4,722,276	4,961,482
Subtotal IPL	4,722,276	5,127,008
Total outstanding loans serviced by business-type activities	\$ 9,951,909	\$ 10,795,073
Total outstanding loans serviced	\$ 91,090,406	\$ 26,234,692

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

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,915,316	\$ 2,359,164	\$ 686,218	\$ 241,314	\$ 2,601,534	\$ 2,600,478
2020	1,852,507	2,348,194	693,762	225,149	2,546,269	2,573,343
2021	69,515,431	1,283,678	701,784	208,721	70,217,215	1,492,399
2022	1,828,056	219,461	710,774	192,016	2,538,830	411,477
2023	1,814,369	170,675	720,221	174,998	2,534,590	345,673
2024-2028	4,212,818	249,100	3,752,795	608,008	7,965,613	857,108
2029-2033	-	-	2,465,531	197,536	2,465,531	197,536
2034-2038	-	-	220,824	-	220,824	-
Total	\$ 81,138,497	\$ 6,630,272	\$ 9,951,909	\$ 1,847,742	\$ 91,090,406	\$ 8,478,013

Debt Related to Capital Activities - Of the total principal shown for Governmental Activities, all \$81,138,497 relates to assets to which the County holds title. Unspent restricted cash related to this debt for Governmental Activities amounts to \$66,310,648, all of which relates to a construction loan for a new high school.

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, 2018, the County had an amount of bonds authorized but un-issued of \$-0- and a legal debt margin of \$162,232,032. At June 30, 2017, the County had an amount of bonds authorized but un-issued of \$-0- and a legal debt margin of \$222,614,385. The following is the computation of the legal debt margin for this year and the prior year.

Description	Balance	Balance
	June 30, 2018	June 30, 2017
Real property	\$ 2,476,830,577	\$ 2,459,210,842
Personal property	565,301,149	516,464,352
Real and personal property	3,042,131,726	2,975,675,194
Percentage factor	8.00%	8.00%
Legal debt limit	243,370,538	238,054,016
Total long-term non-utility borrowings	81,138,506	15,439,631
Legal debt margin	162,232,032	222,614,385

i. 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.

j. Long-Term Obligation Activity

The following tables summarize the changes in the County's long-term obligations for the fiscal year ended June 30, 2018 and the interest and principal payable in the next fiscal year:

Governmental activities:	Balance	Additions	Deductions	Balance	Due by
	June 30, 2017 (As Restated)			June 30, 2018	June 30, 2019
Certificates of participation	\$ 12,990,012	\$ 67,675,000	\$ (1,667,553)	\$ 78,997,459	\$ 1,653,792
Installment purchases loans	2,449,607	-	(308,569)	2,141,038	261,529
Capital leases	409,379	-	(74,087)	335,292	77,792
Unamortized bond premium	-	1,452,742	(193,699)	1,259,043	581,097
Compensated absences	574,490	599,633	(673,035)	501,088	75,155
Net pension liability-LGERS	2,418,061	-	(756,454)	1,661,607	n/a
Total pension liability-LEOSSA	714,648	-	(34,728)	679,920	n/a
Total OPEB liability-OPEB-RHC	4,872,243	-	(74)	4,872,169	n/a
Total governmental activities	\$ 24,428,440	\$ 69,727,375	\$ (3,708,199)	\$ 90,447,616	\$ 2,649,365

Business-type activities:	Balance	Additions	Deductions	Balance	Due by
	June 30, 2017 (As Restated)			June 30, 2018	June 30, 2019
Drinking water state loans	\$ 5,668,065	\$ -	\$ (438,432)	\$ 5,229,633	\$ 438,433
Installment purchases loans	5,127,008	-	(404,732)	4,722,276	247,785
Compensated absences	56,210	73,367	(73,203)	56,374	8,456
Net pension liability-LGERS	193,048	-	(53,775)	139,273	n/a
Total business-type activities	\$ 11,044,331	\$ 73,367	\$ (970,142)	\$ 10,147,556	\$ 694,674
Total government-wide	\$ 35,472,771	\$ 69,800,742	\$ (4,678,341)	\$ 100,595,172	\$ 3,344,039

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
Governmental activities:	June 30, 2016	Additions	Deductions	June 30, 2017	June 30, 2018
Certificates of participation	\$ 14,647,740	\$ -	\$ (1,657,728)	\$ 12,990,012	\$ 1,667,560
Installment purchases loans	2,775,281	-	(325,662)	2,449,619	308,561
Capital leases	-	409,379	-	409,379	74,087
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	545,507	-	714,648	n/a
Retiree healthcare coverage	982,580	65,653	-	1,048,233	n/a
Total governmental activities	\$ 20,081,227	\$ 2,966,927	\$ (2,443,723)	\$ 20,604,431	\$ 2,125,972

	Balance			Balance	Due by
Business-type activities:	June 30, 2016	Additions	Deductions	June 30, 2017	June 30, 2018
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

k. 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, 2018, there were no industrial revenue bonds outstanding. Neither the County, the Authority, the State, nor any political subdivision thereof would be obligated in any manner for the repayment of these bonds. Accordingly, the bonds would not be reported as liabilities in the accompanying financial statements.

C. Interfund Activity and Balances

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 years ended June 30, 2018 and June 30, 2017 consists of the following:

Activity description	June 30, 2018	June 30, 2017
From General Fund to Emergency Telephone Fund to meet requirements of NC 911 Board	\$ 2,422	\$ -
From General Fund to Schools Projects Fund for current and future capital maintenance projects activity	597,897	535,992
From General Fund to Educational Facilities Fund for accumulating resources for future capital projects	6,237,625	1,213,503
From General Fund to Airport Projects Fund to accumulate resources for future capital projects in supporting fund activities	-	16,667
From General Fund to County Projects Fund for current capital projects activity	632,060	569,735
Subtotal from General Fund	7,470,004	2,335,897
From Emergency Telephone Fund to General Fund for portion of costs of personnel involved in supporting fund activities	82,800	-

From Water System Fund to Water Projects Fund	275,021	357,940
to accumulate resources for projects in supporting fund activities		
Total interfund activity	\$ 7,827,825	\$ 2,693,837

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. As of June 30, 2018, there are no interfund balances. The composition of interfund balances as of June 30, 2017 is shown in the table below:

Reporting fund for the year ended June 30, 2017:	Due from General Fund	Due to Other Funds
Governmental Funds		
General Fund	\$ -	\$ 661
Public Utilities Fund	661	-
Total interfund balances	\$ 661	\$ 661

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 i) cash and investments ii) less encumbrances, iii) less liabilities, and iv) less 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 and is reflected in the following table. The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Then, after accounting for non-spendable fund balance, Restricted by Stabilization per State Statute is the remaining non-appropriable portion of fund balance. (Total fund balance less fund balance available for appropriation less non-spendable fund balance equals Restricted for Stabilization per State Statute.) In the table below, see the calculations for fund balance available for appropriation and the amount Restricted by Stabilization per State Statute as of June 30, 2018:

Item Description for FY18	General Fund	Educational Facilities Fund	Other Non- Major Funds
Fund balance available for appropriation			
Cash and investments	\$ 15,343,539	\$ 73,551,300	\$ 4,452,835
Liabilities	(1,609,579)	(3,748,336)	(1,406,187)
Unavailable revenues arising from cash receipts	(188,949)	-	-
Fund balance available for appropriation (FBAA)	13,545,011	69,802,964	3,046,648
Subsequent year's beginning budget	33,309,321	74,896,700	4,765,913
% of FBAA to subsequent year's beginning budget	40.66%	93.20%	63.93%
Restricted for Stabilization per State Statute			
Total fund balance	16,719,213	69,857,456	3,268,471
Fund balance available for appropriation	(13,545,011)	(69,802,964)	(3,046,648)
Fund balance not available for appropriation	3,174,202	54,492	221,823
Nonspendable fund balance	(687,282)	-	(28,473)
Unreportable amounts *	-	-	(2,175)
Restricted for Stabilization per State Statute	\$ 2,486,920	\$ 54,492	\$ 191,175

* 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 \$2,175 for other non-major funds.

Fund balance available for appropriation may be categorized as restricted, committed, or assigned for other purposes. Unassigned fund balance represents the amount of fund balance that remains available to be committed or assigned.

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 the subsequent year's appropriations (a.k.a. budgeted expenditures).

In the table below, see the calculations for fund balance available for appropriation and the amount Restricted by Stabilization per State Statute as of June 30, 2017:

Item Description for FY17	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 (FBAA)	14,947,746	5,304,313	3,217,571
Subsequent year's beginning budget	32,652,391	1,205,247	3,855,252
% of FBAA to subsequent year's beginning budget	45.78%	440.10%	83.46%
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.

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

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, 2018, consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance-FY18
Capital assets	\$ 51,829,771	\$ 11,102,645	\$ 62,932,416
Adjustments for depreciation and related debt			
Depreciation on capital assets	(16,319,379)	(1,329,619)	(17,648,998)
Unspent debt proceeds for capital purposes	-	66,300,090	66,300,090
Long-term debt issued for capital purposes	(15,439,619)	(65,698,887)	(81,138,506)
Subtotal adjustments	(31,758,998)	(728,416)	(32,487,414)
Net investment in capital assets	\$ 20,070,773	\$ 10,374,229	\$ 30,445,003
Business-type activities:			
Capital assets	\$ 46,160,531	\$ 313,765	\$ 46,474,297
Adjustments for depreciation and related debt			
Depreciation on capital assets	(20,397,104)	(1,096,915)	(21,494,019)
Long-term debt issued for capital purposes	(10,795,073)	843,164	(9,951,909)
Subtotal adjustments	(31,192,177)	(253,751)	(31,445,928)
Net investment in capital assets	\$ 14,968,354	\$ 60,014	\$ 15,028,369

The balance of “net investment in capital assets” at June 30, 2017, consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance-FY17
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)
Unspent debt proceeds for capital purposes	-	-	-
Long-term debt issued for capital purposes	(17,423,021)	1,983,402	(15,439,619)
Subtotal adjustments	(32,990,740)	1,231,742	(31,758,998)
Net investment in capital assets	\$ 16,647,670	\$ 3,423,103	\$ 20,070,773
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

F. Occupancy Taxes

Under State law, all occupancy taxes shall be spent for tourism promotion and other tourism-related activities. To meet that purpose, the TDA spends funds to print brochures and supplement local events that are intended to draw tourists. 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, 2018, the County contributed \$768,000 for operating purposes and \$109,898 for facility maintenance costs to MCC. During the fiscal year ended June 30, 2017, the County contributed \$750,800 for operating purposes and \$53,725 for facility maintenance costs to 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. 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 at MCC, the County periodically borrows money for new and restructured facilities. At this time, -\$0- in borrowed monies remain outstanding.

The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements. Instead, the community college is included as a component unit of the State. Complete financial statements for the community college may be obtained from Montgomery Community College, Administrative Offices, 1011 Page Street, Troy, North Carolina 27371.

B. 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, 2018, 2017, and 2016, the combined appropriation (of the County and the TDA) to the organization (and its predecessor) was \$0, \$15,000, and \$0, 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 \$301,620, \$294,280, and \$295,390 for the years ended June 30, 2018, 2017, and 2016, respectively, to supplement activities of the local library operations, including \$10,000, \$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, 2018, 2017, and 2016, 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 \$9,029, \$8,597, and \$8,586 to PTRC during the fiscal years ended June 30, 2018, 2017, and 2016, respectively. The County was a sub-recipient of the grants listed below. The following is a list of grants that passed through PTRC during the fiscal year ended June 30, 2018:

<u>Program Title-FY18</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
<u>Passed-Through the N.C. Department of Health and Human Services:</u>				
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>				
Special Programs for the Aging - In home Services	93.044	-	\$ 11,119	\$ 4,979
III-B Grants for Supportive Services	93.044	-	8,648	110,144
Congregate Nutrition	93.045	-	19,774	1,164
Home Delivered Nutrition	93.045	-	52,567	50,283
NSIP Supplement	93.053	-	17,659	-
Total pass-thru grants awards from IPDC			<u>\$ 109,767</u>	<u>\$ 166,570</u>

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

<u>Program Title-FY17</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
<u>Passed-Through the N.C. Department of Health and Human Services:</u>				
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>				
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>\$ 156,405</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 during the year. 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 for the year ended June 30, 2018:

<u>Program Title-FY18</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	-	\$ 615,428	\$ -
Medical Assistance	93.778	-	27,782,394	14,510,016
Health Choice Claim Expenditures	93.767	-	763,039	2,934
Participation in Budgeted County Expenditures				
IV-E Adoption Subsidy	93.659	-	60,535	14,576
IV-E Admin County Paid	93.658	-	25,553	12,776
IV-E Family Foster Max	93.658	-	1,417	-
IV-E Foster Care & Extend	93.658	-	137,964	33,149
Special Children Adoption	93.558	-	7,200	-
TANF Payments and Penalties	93.558	-	125,344	-
Child Welfare Services Adoption Subsidy	n/a	-	-	29,311
Special Assistance HB 1030	n/a	-	-	15,436
Special Assistance Domicillary Care	n/a	-	-	282,927
Total participation in budgeted county expenditures			<u>358,013</u>	<u>388,175</u>
Total direct benefit payments			<u>\$ 29,518,874</u>	<u>\$ 14,901,125</u>

The amounts listed below were paid directly to individual recipients by the State from federal and State monies during the year ended June 30, 2017:

Program Title-FY17	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures
Special Supplemental Nutrition Program for Women, Infants, Children	10.557	-	\$ 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 Domicillary Care	n/a	-	-	301,629
State Foster Home Families Maximization	n/a	-	-	13,437
Total participation in budgeted county expenditures			256,624	377,635
Total direct benefit payments			\$ 27,378,594	\$ 14,260,421

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: RESTATEMENTS

A. Change in Accounting Principles

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefit payments and administrative expenses paid by the County related to OPEB during the measurement period (year ended June 30, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, as of June 30, 2017, net position for the governmental activities decreased by \$3,824,010 and business-type activities increased by \$70,827, respectively.

In the fiscal year ended 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 \$557,476.

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

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2018

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	100
2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage	Part II.D.2	105
3. Financial Statements for Major Governmental Funds	Part II.D.3	108
4. Financial Statements for Non-major Governmental Funds	Part II.D.4	119
5. Financial Schedules for Major Enterprise Fund	Part II.D.5	135
6. Financial Statement for Fiduciary Funds	Part II.D.6	141
7. Financial Statements for Component Unit	Part II.D.7	144

The Required Supplementary Information concerns, first, the County's future obligation to provide various pension income to its retirees, second, the County's future obligation to provide healthcare coverage to its retirees, third, more detailed results for each individual fund, both major and non-major funds, by comparing actual results with the budgetary estimates and limitations, fourth, an account of the activity and balances of fiduciary funds, and, fifth, financial statements of the County's component unit.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018
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	101
b. LGERS Schedule of Employer Contributions	Exhibit II.D.1.b	101
c. RODSPF Schedule of Proportionate Share of Net Pension Liability (Asset)	Exhibit II.D.1.c	102
d. RODSPF Schedule of Employer Contributions	Exhibit II.D.1.d	102
e. LEOSSA Schedule of Changes in Total Pension Liability	Exhibit II.D.1.e	103
f. LEOSSA Schedule of Total Pension Liability as a Percentage of Covered Payroll	Exhibit II.D.1.f	104

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

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2018

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						
2018	\$ 1,527,723,006	94.176%	0.118%	\$ 1,800,880	\$ 7,206,387	24.990%
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, 2018

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						
2018	\$ 551,436	\$ 551,436	100.000%	\$ -	\$ 7,171,555	7.689%
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, 2018

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						
2018	\$ (17,069,002)	153.772%	0.242%	\$ (41,380)	\$ 51,500	-80.350%
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, 2018

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						
2018	\$ 2,165	\$ 2,165	100.000%	\$ -	\$ 51,971	4.166%
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. LEOSA Schedule of Changes in Total Pension Liability

For the Year Ended June 30, 2018

*Year Ended December 31	Service Cost and Interest	Change in Benefit Terms	Difference Between Expected and Actual	Changes of Assumptions & Other Inputs	Benefit Payments	Total Pension Liability
2017	\$ 49,226	\$ -	\$ (61,179)	\$ 35,220	\$ (57,995)	\$ 679,920
2016	56,904	-	-	(15,728)	(53,145)	714,648
--- After implementation of GASBS 73, new terms used in reporting this potential liability; old terms are shown below						

e. LEOSA Schedule of Employer Contributions (previous name for this required supplementary information schedule)

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2016	53,425	73,504	72.683%	67,636	78.989%	169,141
2015	65,390	72,164	90.613%	66,874	97.781%	154,930
2014	61,757	59,090	104.513%	54,017	114.329%	153,446
2013	61,757	57,639	107.144%	57,061	108.230%	161,186
2012	58,982	57,639	102.330%	56,009	105.308%	165,882
2011	47,639	55,559	85.745%	54,987	86.637%	168,855
2010	33,122	47,828	69.252%	49,211	67.306%	161,507
2009	23,798	43,889	54.223%	45,044	52.833%	145,418
2008	12,478	35,485	35.164%	36,591	34.101%	124,172
2007	6,477	31,796	20.370%	32,730	19.789%	100,059

* Beginning with the reporting date of December 31, 2016, both the valuation date and measurement date precede this date by 1 year

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2018

*Year Ended December 31	Service Cost and Interest	All Other Changes	Total Pension Liability (TPL)	Net Change in TPL	Covered Payroll	Ratio of TPL to Covered Payroll
2017	\$ 49,226	\$ (83,954)	\$ 679,920	\$ (34,728)	\$ 991,893	68.548%
2016	56,904	(68,873)	714,648	(11,969)	1,188,937	60.108%
--- After implementation of GASBS 73, new terms used in reporting this potential liability; old terms are shown below						

f. LEOSA Schedule of Funding Progress (previous name for this required supplementary information schedule)

*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
2015	-	726,617	726,617	0.000%	1,188,937	61.115%
2014	-	579,340	579,340	0.000%	1,132,837	51.141%
2013	-	579,346	579,346	0.000%	1,017,921	56.915%
2012	-	586,725	586,725	0.000%	1,105,953	53.052%
2011	-	586,725	586,725	0.000%	1,105,953	53.052%
2010	-	591,428	591,428	0.000%	1,160,195	50.977%
2009	-	584,070	584,070	0.000%	1,109,700	52.633%
2008	-	424,664	424,664	0.000%	1,106,063	38.394%
2007	-	400,396	400,396	0.000%	998,910	40.083%
2006	-	276,739	276,739	0.000%	989,060	27.980%

* Beginning with the reporting date of December 31, 2016, both the valuation date and measurement date precede this date by 1 year

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

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2018

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 Changes in Total OPEB Liability	Exhibit II.D.2.a	106
b. OPEB-RHC Schedule of Total OPEB Liability as a Percentage of Covered Payroll	Exhibit II.D.2.b	107

The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statements Number 75.

County of Montgomery, North Carolina

a. OPEB-RHC Schedule of Changes in Total OPEB Liability

For the Year Ended June 30, 2018

*Year Ended June 30	Service Cost and Interest	Change in Benefit Terms	Difference Between Expected and Actual	Changes of Assumptions & Other Inputs	Benefit Payments	Total OPEB Liability
2017	\$ 287,866	\$ -	\$ 8,095	\$ (296,036)	\$ (207,667)	\$ 4,872,168
--- After implementation of GASBS 75, new terms used in reporting this potential liability; old terms are shown below						

a. OPEB-RHC Schedule of Employer Contributions (previous name for this required supplementary information schedule)

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

* Beginning with the reporting date of June 30, 2018, both the valuation date and measurement date precede this date by 1 year.

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

County of Montgomery, North Carolina

b. OPEB-RHC Schedule of Total OPEB Liability as a Percentage of Covered Payroll

For the Year Ended June 30, 2018

*Year Ended June 30	Service Cost and Interest	All Other Changes	Total OPEB Liability (TOL)	Net Change in TOL	Covered Payroll	Ratio of TOL to Covered Payroll
2017	\$ 287,866	\$ (495,608)	\$ 4,872,168	\$ (207,742)	\$ 4,040,533	120.582%
--- After implementation of GASBS 75, new terms used in reporting this potential liability; old terms are shown below						

b. OPEB-RHC Schedule of Funding Progress (previous name for this required supplementary information schedule)

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%

* Beginning with the reporting date of June 30, 2018, both the valuation date and measurement date precede this date by 1 year

** 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.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
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	109
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	117

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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad Valorem Taxes				
Current year - General Fund	\$ 18,511,439	\$18,867,194	\$ 355,755	\$ 18,548,155
Prior years	174,782	362,065	187,283	441,378
Penalties, interest, and advertising, net	55,100	142,063	86,963	162,374
Subtotal Ad Valorem Taxes	18,741,321	19,371,322	630,001	19,151,907
Local Option Sales Taxes				
Article 39 & 44	1,595,000	2,192,109	597,109	1,905,426
Article 40	1,500,000	1,547,048	47,048	1,481,634
Article 42	800,000	931,430	131,430	814,713
Article 46	455,000	504,000	49,000	430,629
Medicaid hold harmless payment	-	(928)	(928)	248,968
Subtotal Local Option Sales Taxes	4,350,000	5,173,659	823,659	4,881,370
Other Taxes				
Beer and wine license tax	-	1,140	1,140	1,327
Rental vehicle gross receipts tax	-	646	646	722
Subtotal Other Taxes	-	1,786	1,786	2,049
Intergovernmental Revenues, unrestricted				
Beer and wine excise taxes	-	86,639	86,639	90,528
Payments in lieu of taxes	94,000	110,121	16,121	107,865
Disposal taxes, scrap tires	40,000	37,088	(2,912)	37,255
Property tax billing and collection fees	22,000	25,121	3,121	24,218
Federal and state forfeiture funds	6,000	16,814	10,814	7,142
Video program franchise distribution	15,000	23,599	8,599	14,545
Disposal taxes, solid waste	4,000	16,571	12,571	16,672
Sheriff & jail court fees	54,000	73,517	19,517	70,315
Profit distribution from local ABC boards	1,000	21,040	20,040	19,120
Subtotal Intergovernmental Revenues, unrestricted	236,000	410,510	174,510	387,660
Intergovernmental Revenues, restricted				
Federal and state grants	5,212,033	3,749,183	(1,462,850)	4,908,591
Lottery proceeds	250,000	250,000	-	599,700
Special loan interest subsidy	90,135	90,039	(96)	98,330
Court facilities fees	50,000	55,260	5,260	60,447
Share of Nationwide Timber Receipts	68,000	59,849	(8,151)	36,315
Library contribution fees	24,000	24,800	800	24,800
Municipal elections	-	8,353	8,353	-
ABC bottles tax distribution	5,000	6,231	1,231	6,094
Subtotal Intergovernmental Revenues, restricted	5,699,168	4,243,715	(1,455,453)	5,734,277
Subtotal Intergovernmental Revenues	5,935,168	4,654,225	(1,280,943)	6,121,937

(continued on next page)

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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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES (continued from previous page)				
Licenses, Fees, and Permits				
Landfill revenues	1,979,000	1,949,365	(29,635)	2,235,538
Inmate housing fees	220,000	300,822	80,822	285,871
Building permit and inspection fees	111,000	243,205	132,205	254,037
Register of Deeds fees and permits	182,500	227,979	45,479	332,643
Environmental Health permits	50,538	48,503	(2,035)	53,655
Civil, pistol, and concealed weapons permits	48,000	56,238	8,238	43,997
Library fines	6,000	1,944	(4,056)	3,351
Zoning permits and fees	10,000	11,439	1,439	11,315
Animal control fees	1,000	379	(621)	1,470
Elections fees	-	5,084	5,084	-
Subtotal Licenses, Fees, and Permits	2,608,038	2,844,958	236,920	3,221,877
Sales and Services				
Medicaid / Medicare service fees	411,517	353,630	(57,887)	326,162
Contracted revenues	15,000	23,810	8,810	53,890
Department of Health fees	79,300	77,069	(2,231)	72,444
Rental fees	69,280	71,974	2,694	67,909
Vending & phone commissions	20,000	39,728	19,728	30,340
Department of Social Services fees	-	21,777	21,777	11,521
County program fees	2,500	13,716	11,216	8,236
Subtotal Sales and Services	597,597	601,704	4,107	570,502
Investment Earnings	27,000	345,402	318,402	157,987
Miscellaneous				
Contributions / donations	174,906	224,234	49,328	196,895
Sale of used surplus equipment and vehicles	-	46,473	46,473	16,331
Insurance proceeds	-	1,262	1,262	22,897
Miscellaneous others	-	695	695	7,001
Subtotal Miscellaneous	174,906	272,664	97,758	243,124
Total Revenues	32,434,030	33,265,720	831,690	34,350,753
EXPENDITURES				
General Government				
Commissioners (includes non-departmental)				
Salaries and benefits	548,121	220,533	327,588	213,238
Other operating expenditures	688,318	488,882	199,436	614,052
Capital & equipment outlays	83,000	61,631	21,369	74,924
Subtotal Commissioners	1,319,439	771,046	548,393	902,214
County Administration / Manager's Office				
Salaries and benefits	195,827	192,135	3,692	181,012
Other operating expenditures	16,350	14,537	1,813	23,689
Capital & equipment outlays	700	695	5	953
Subtotal County Manager / Administration	212,877	207,367	5,510	205,654

(continued on next page)

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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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Finance				
Salaries and benefits	261,388	261,363	25	257,129
Other operating expenditures	13,690	6,907	6,783	6,933
Subtotal Finance	275,078	268,270	6,808	264,062
Information Technology				
Salaries and benefits	129,186	130,700	(1,514)	121,416
Other operating expenditures	263,387	223,087	40,300	174,611
Capital & equipment outlays	70,400	40,394	30,006	127,032
Subtotal Information Technology	462,973	394,181	68,792	423,059
Human Resources				
Salaries and benefits	65,680	65,709	(29)	61,758
Other operating expenditures	10,000	3,801	6,199	2,254
Subtotal Human Resources	75,680	69,510	6,170	64,012
Property Tax Administration (assessing, listing, and collection)				
Salaries and benefits	370,964	372,909	(1,945)	369,185
Other operating expenditures	54,500	50,484	4,016	50,053
Subtotal Tax Administration	425,464	423,393	2,071	419,238
Property Tax Revaluation				
Salaries and benefits	7,776	6,970	806	6,974
Other operating expenditures	117,224	8,853	108,371	20,507
Subtotal Property Tax Revaluation	125,000	15,823	109,177	27,481
Elections and Board of Elections				
Salaries and benefits	137,243	129,172	8,071	131,468
Other operating expenditures	67,816	51,874	15,942	55,566
Subtotal Elections	205,059	181,046	24,013	187,034
Register of Deeds' Office (including Automation)				
Salaries and benefits	136,442	135,955	487	131,352
Other operating expenditures	33,000	30,084	2,916	30,541
Subtotal Register of Deeds	169,442	166,039	3,403	161,893
Custodial Services / Housekeeping				
Salaries and benefits	147,202	147,070	132	142,539
Other operating expenditures	25,000	16,072	8,928	18,708
Subtotal Housekeeping	172,202	163,142	9,060	161,247
Facilities Management / Maintenance				
Salaries and benefits	113,302	113,290	12	111,750
Other operating expenditures	615,000	535,835	79,165	474,137
Capital & equipment outlays	265,000	214,403	50,597	290,536
Subtotal Facilities Maintenance	993,302	863,528	129,774	876,423
Property & Liability Insurance, other expenditures	35,000	7,941	27,059	6,502
Court Facilities				
Other operating expenditures	13,850	6,876	6,974	6,224
Capital & equipment outlays	6,150	-	6,150	-
Subtotal Court Facilities	20,000	6,876	13,124	6,224
Total General Government	4,491,516	3,538,162	953,354	3,705,043

(continued on next page)

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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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		Variance -	2017
	Budget	Actual	Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Transportation				
Airport Operations, other expenditures	30,000	14,327	15,673	24,027
Rural Operating Assistance Program, other exp.	138,358	138,358	-	138,358
Total Transportation	168,358	152,685	15,673	162,385
Public Safety				
Sheriff's Office (including Schools Resource Officers)				
Salaries and benefits	1,637,699	1,630,725	6,974	1,577,396
Other operating expenditures	304,777	229,939	74,838	199,184
Capital & equipment outlays	113,000	112,293	707	135,570
Subtotal Sheriff	2,055,476	1,972,957	82,519	1,912,150
Jail / Detention Center				
Salaries and benefits	925,610	911,780	13,830	884,867
Other operating expenditures	374,096	404,278	(30,182)	305,315
Subtotal Detention Centers	1,299,706	1,316,058	(16,352)	1,190,182
Animal/Rabies Control				
Salaries and benefits	104,056	105,595	(1,539)	100,178
Other operating expenditures	26,000	14,686	11,314	21,498
Capital & equipment outlays	1,500	-	1,500	450
Subtotal Animal/Rabies Control	131,556	120,281	11,275	122,126
Volunteer Fire Departments				
Other operating expenditures	222,624	162,833	59,791	268,918
Capital & equipment outlays	726,034	316,100	409,934	-
Subtotal Volunteer Fire Departments	948,658	478,933	469,725	268,918
Building Inspections				
Salaries and benefits	187,198	186,741	457	179,680
Other operating expenditures	22,340	17,866	4,474	17,745
Subtotal Inspections	209,538	204,607	4,931	197,425
Medical Examiner, other expenditures	25,000	18,200	6,800	18,800
Ambulance / Rescue Squads				
Retirement benefits	2,800	2,910	(110)	2,010
Third-party ambulance services	1,470,067	1,462,950	7,117	1,420,456
Other operating expenditures	15,350	14,437	913	11,124
Capital & equipment outlays	21,850	21,060	790	14,501
Subtotal rescue squads	1,510,067	1,501,357	8,710	1,448,091
Emergency Management				
Salaries and benefits	67,942	67,355	587	53,744
Other operating expenditures	11,500	9,036	2,464	1,746
Subtotal Emergency Management	79,442	76,391	3,051	55,490
E911 Communications				
Salaries and benefits	458,897	433,548	25,349	445,249
Other operating expenditures	23,800	13,651	10,149	21,840
Capital & equipment outlays	-	-	-	2,868
Subtotal E911 Communications	482,697	447,199	35,498	469,957
Juvenile Crime Prevention Council (JCPC), other exp	100,000	99,763	237	95,344
Federal and State Forfeited Property, other exp	6,000	-	6,000	2,824
Total Public Safety	6,848,140	6,235,746	612,394	5,781,307

(continued on next page)

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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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Human Services				
Social Services:				
Social Services Administration & Service Delivery				
Salaries and benefits	2,723,892	2,424,126	299,766	2,498,719
Other operating expenditures	2,511,314	1,455,434	1,055,880	2,345,555
Capital & equipment outlays	51,036	24,685	26,351	87,317
Total Social Services	5,286,242	3,904,245	1,381,997	4,931,591
Health services				
Health Administration				
Salaries and benefits	216,411	216,557	(146)	212,249
School nurses at MCS	100,000	100,000	-	100,000
Other operating expenditures	155,172	101,753	53,419	88,151
Capital & equipment outlays	12,500	11,744	756	-
Subtotal Health Administration	484,083	430,054	54,029	400,400
Communicable Diseases				
Salaries and benefits	108,164	108,445	(281)	98,437
Other operating expenditures	17,350	14,728	2,622	20,019
Subtotal Communicable Diseases	125,514	123,173	2,341	118,456
Public Health/Emergency Planning				
Salaries and benefits	2,542	206	2,336	2,514
Other operating expenditures	29,140	18,637	10,503	24,415
Subtotal Public Health/Emerg Planning	31,682	18,843	12,839	26,929
Health Promotions				
Salaries and benefits	42,504	42,297	207	42,293
Other operating expenditures	-	-	-	1,391
Subtotal Health Promotions	42,504	42,297	207	43,684
Women - Infants - Children (WIC)				
Salaries and benefits	190,675	174,036	16,639	209,836
Other operating expenditures	2,269	3,112	(843)	2,238
Subtotal Women - Infants - Children (WIC)	192,944	177,148	15,796	212,074
Child Health				
Salaries and benefits	234,867	230,400	4,467	217,607
Other operating expenditures	26,600	25,229	1,371	34,900
Subtotal Child Health	261,467	255,629	5,838	252,507
Maternal Health				
Salaries and benefits	202,733	204,928	(2,195)	187,203
Other operating expenditures	43,155	39,191	3,964	42,019
Subtotal Maternal Health	245,888	244,119	1,769	229,222
Adult Health				
Salaries and benefits	66,640	59,312	7,328	61,776
Other operating expenditures	33,250	32,685	565	34,494
Subtotal Adult Health	99,890	91,997	7,893	96,270
Family Planning				
Salaries and benefits	166,943	157,768	9,175	186,752
Other operating expenditures	71,045	59,567	11,478	64,549
Subtotal Family Planning	237,988	217,335	20,653	251,301

(continued on next page)

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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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Care Coordination for Children (CC4C)				
Salaries and benefits	86,283	86,185	98	67,864
Other operating expenditures	3,792	2,170	1,622	2,742
Subtotal Care Coord. for Children (CC4C)	90,075	88,355	1,720	70,606
Pregnancy Care Management				
Salaries and benefits	94,465	94,026	439	90,000
Other operating expenditures	4,510	3,761	749	4,501
Subtotal Pregnancy Care Management	98,975	97,787	1,188	94,501
Infant Health Improvement				
Other operating expenditures	141,383	100,407	40,976	72,411
Capital & equipment outlays	-	-	-	2,084
Subtotal Infant Health Improvement	141,383	100,407	40,976	74,495
Total Health Services	2,052,393	1,887,144	165,249	1,870,445
Miscellaneous				
Environmental Health				
Salaries and benefits	179,740	140,879	38,861	183,989
Other operating expenditures	9,000	7,539	1,461	8,522
Subtotal Environmental Health	188,740	148,418	40,322	192,511
Mental Health (Sandhills), allocations	60,775	60,775	-	60,775
Home Community and Care Block Grant, other exp	272,539	259,102	13,437	274,900
Programs for the Aging, allocations	150,000	145,752	4,248	95,000
Total Human Services	8,010,689	6,405,436	1,605,253	7,425,222
Environmental Protection				
Landfill & Recycling				
Salaries and benefits	106,337	102,579	3,758	-
Other operating expenditures	719,326	656,482	62,844	786,355
Capital & equipment outlays	-	-	-	-
Subtotal Landfill & Recycling	825,663	759,061	66,602	786,355
Forestry, other expenditures	100,000	100,000	-	88,200
Soil Conservation				
Salaries and benefits	76,764	76,027	737	71,858
Other operating expenditures	5,300	3,305	1,995	2,381
Subtotal Soil Conservation	82,064	79,332	2,732	74,239
Total Environmental Protection	1,007,727	938,393	69,334	948,794
Education (Intergovernmental)				
Public Schools				
Current expenses	5,224,000	5,224,000	-	5,125,000
Timber receipts from US Forest	69,000	59,850	9,150	36,315
Aid to Communities in Schools	5,000	5,000	-	-
Subtotal Public Schools	5,298,000	5,288,850	9,150	5,161,315
Community College, current expenses	768,000	768,000	-	750,800
Total Education	6,066,000	6,056,850	9,150	5,912,115

(continued on next page)

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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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Economic and Physical Development				
Planning and Zoning				
Salaries and benefits	63,037	63,028	9	60,072
Other operating expenditures	6,271	3,708	2,563	4,492
Subtotal Planning and Zoning	69,308	66,736	2,572	64,564
Economic Development				
Salaries and benefits	80,818	36,994	43,824	79,070
Future appropriations	400,000	-	400,000	-
Other operating expenditures	47,500	23,396	24,104	93,012
Subtotal Economic Development	528,318	60,390	467,928	172,082
Cooperative (Agricultural) Extension				
Salaries and benefits	204,459	204,913	(454)	192,655
Other operating expenditures	10,300	8,336	1,964	9,359
Subtotal Cooperative/ Agricultural Extension	214,759	213,249	1,510	202,014
Economic Development Grants, other expenditures	378,501	8,500	370,001	66,667
Total Economic and Physical Development	1,190,886	348,875	842,011	505,327
Cultural and Recreational				
Library System				
Salaries and benefits	231,620	211,117	20,503	226,131
Books and magazines	25,500	25,827	(327)	26,413
Other operating expenditures	44,500	42,598	1,902	41,356
Subtotal Library System	301,620	279,542	22,078	293,900
Recreation				
Salaries and benefits	-	-	-	10,904
Contributions to area recreation groups	82,000	82,000	-	18,500
Other operating expenditures	7,000	489	6,511	5,340
Subtotal Recreation	89,000	82,489	6,511	34,744
Haltiwanger Retreat, other expenditures	15,000	3,100	11,900	-
County Gym Projects, allocations	11,000	6,890	4,110	10,493
Total Cultural and Recreational	416,620	372,021	44,599	339,137
Debt Service				
Principal reduction	1,984,705	1,976,125	8,580	1,983,401
Interest and fees	420,191	420,028	163	482,269
Issuance costs and other fees	3,500	2,250	1,250	4,964
Total Debt Service	2,408,396	2,398,403	9,993	2,470,634
Total Expenditures	30,608,332	26,446,571	4,161,761	27,249,964
Excess of Revenues Over (Under) Expenditures	1,825,698	6,819,149	4,993,451	7,100,789

(continued on next page)

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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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
(continued from previous page)				
Excess of Revenues Over (Under) Expenditures (repeated from prior page)	1,825,698	6,819,149	4,993,451	7,100,789
OTHER FINANCING SOURCES (USES)				
Transfers In:				
from Emergency Telephone fund	40,000	82,800	42,800	-
Transfers Out:				
to Emergency Telephone fund	(10,000)	(2,422)	7,578	-
to Schools Projects fund	(550,900)	(597,897)	(46,997)	(535,992)
to Educational Facilities fund	(6,245,246)	(6,237,625)	7,621	(1,213,503)
to Airport Projects fund	-	-	-	(16,667)
to Capital Projects fund	(550,000)	(632,060)	(82,060)	(569,735)
Capital Lease Financing Issued	12,000	-	(12,000)	-
Fund Balance (Contingency) Appropriated	5,478,448	-	(5,478,448)	-
Total Other Financing Sources (Uses)	(1,825,698)	(7,387,204)	(5,561,506)	(2,335,897)
Net Change in Fund Balance	\$ -	(568,055)	\$ (568,055)	4,764,892
FUND BALANCES				
Beginning fund balances (July 1)		17,287,268		12,522,376
Ending Fund Balances (June 30)		<u>\$16,719,213</u>		<u>\$ 17,287,268</u>

(continued from previous page)

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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, 2018

With Comparative Totals from Project Inception to June 30, 2017

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment earnings	\$ -	\$ -	\$ 247,397	\$ 247,397
Miscellaneous	273,103	41,897	-	41,897
Total revenues	273,103	41,897	247,397	289,294
EXPENDITURES				
Education				
New high school				
Administration	-	1,871	6,223	8,094
Construction and renovation	63,525,203	56,702	9,225,425	9,282,127
Engineering, legal, & other professional services	4,684,654	1,868,233	1,430,281	3,298,514
Capital and equipment outlays	3,250,000	-	-	-
Other expenses	310,651	187,258	110,330	297,588
Contingency	8,867,850	-	-	-
Debt service				
Debt principal payments	67,675,000	-	-	-
Debt interest payments	3,000,000	-	-	-
Issuance costs and other fees	200,000	-	287,362	287,362
Total expenditures	151,513,358	2,114,064	11,059,621	13,173,685
Excess of revenues over (under) expenditures	(151,240,255)	(2,072,167)	(10,812,224)	(12,884,391)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (new high school)	13,791,255	7,376,480	6,237,625	13,614,105
Proceeds from loan issuance	67,675,000	-	69,127,742	69,127,742
Proceeds from USDA loan issuance	67,678,000	-	-	-
Fund balance appropriated	2,096,000	-	-	-
Total other financing sources (uses)	151,240,255	7,376,480	75,365,367	82,741,847
Net change in fund balance	\$ -	\$ 5,304,313	64,553,143	\$ 69,857,456
FUND BALANCES				
Beginning fund balances			5,304,313	
Ending fund balances			<u>\$ 69,857,456</u>	

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018
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	120
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.4.b	122
c. Emergency Telephone System Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.c	124
d. EMPG Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.d	125
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	126
f. Badin Lake Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.f	127
g. Lake Tillery Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.g	128
h. Child Support Incentives Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.h	129
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	130
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	131
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	132
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	133

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

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a. Non-major Governmental Funds: Combining Balance Sheet

(continued on next page)

June 30, 2018

With Comparative Totals as of June 30, 2017

	Non-major Governmental Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
ASSETS					
Cash and cash equivalents	\$ 52,683	150,563	\$ 8,981	\$ 2,296	\$ 1,512
Taxes receivable, net	-	-	-	8,145	4,184
Accounts receivable, net	12,821	-	-	-	-
Due from other governments	10,376	80	-	1,402	780
Prepaid items	24,571	3,840	-	-	-
Total assets	\$ 100,451	\$ 154,483	\$ 8,981	\$ 11,843	\$ 6,476
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 977	\$ -	\$ -	\$ -	\$ -
Unearned revenues	-	-	-	-	-
Due to other taxing units	-	-	-	3,692	2,291
Total liabilities	977	-	-	3,692	2,291
Deferred inflows:					
Property taxes receivable	-	-	-	8,145	4,184
Total deferred inflows	-	-	-	8,145	4,184
Fund balances:					
Non-spendable					
Prepaid Items	24,571	3,840	-	-	-
Restricted					
Stabilization of State Statute	23,197	80	-	6	1
Public Safety	51,706	150,563	-	-	-
Human Services	-	-	-	-	-
Economic and Physical Development	-	-	8,981	-	-
Committed					
Transportation	-	-	-	-	-
Public Safety	-	-	-	-	-
Education (intergovernmental)	-	-	-	-	-
Assigned					
Incomplete projects	-	-	-	-	-
Total fund balances	99,474	154,483	8,981	6	1
Total liabilities, deferred inflows and fund balances	\$ 100,451	\$ 154,483	\$ 8,981	\$ 11,843	\$ 6,476

Note: Stabilization of State Statute is a specific calculation, per State Statutes. However, remaining equity cannot be negative.

Due to this limitation, the calculated amount has been altered for Badin Lake Fire District and Lake Tillery Fire District.

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Non-major Governmental Funds									
Child Support Incentives	Golden LEAF - Aseptia	Schools Projects	Airport Projects	County Projects	Totals				
					2018	2017			
\$ 243,924	\$ 1,750,372	\$ 302,189	\$ 115,515	\$ 1,824,800	\$ 4,452,835	\$ 4,179,591			
-	-	-	-	-	12,329	14,727			
-	-	133,613	-	-	146,434	137,568			
60	-	34,218	-	-	46,916	89,085			
62	-	-	-	-	28,473	31,992			
\$ 244,046	\$ 1,750,372	\$ 470,020	\$ 115,515	\$ 1,824,800	\$ 4,686,987	\$ 4,452,963			
\$ 2,441	\$ -	\$ 20,007	\$ -	\$ -	\$ 23,425	\$ 231,430			
-	1,376,779	-	-	-	1,376,779	727,392			
-	-	-	-	-	5,983	3,198			
2,441	1,376,779	20,007	-	-	1,406,187	962,020			
-	-	-	-	-	12,329	14,727			
-	-	-	-	-	12,329	14,727			
62	-	-	-	-	28,473	31,992			
60	-	167,831	-	-	191,175	226,640			
-	-	-	-	-	202,269	299,317			
241,483	-	-	-	-	241,483	247,911			
-	373,593	-	-	-	382,574	396,467			
-	-	-	115,515	-	115,515	43,821			
-	-	-	-	-	-	10			
-	-	282,182	-	-	282,182	1,037,318			
-	-	-	-	1,824,800	1,824,800	1,192,740			
241,605	373,593	450,013	115,515	1,824,800	3,268,471	3,476,216			
\$ 244,046	\$ 1,750,372	\$ 470,020	\$ 115,515	\$ 1,824,800	\$ 4,686,987	\$ 4,452,963			

(continued from previous page)

County of Montgomery, North Carolina

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

(continued on next page)

For the Year Ended June 30, 2018

With Comparative Totals For the Year Ended June 30, 2017

	Non-major Governmental Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 422,891	\$ 201,826
Intergovernmental revenues, restricted	153,850	38,642	41,300	-	-
Investment earnings	133	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	153,983	38,642	41,300	422,891	201,826
EXPENDITURES					
Transportation	-	-	-	-	-
Public safety	118,198	3,251	-	424,018	202,722
Human services	-	-	-	-	-
Education (intergovernmental)	-	-	-	-	-
Economic and physical development	-	-	92,535	-	-
Debt service, principal reduction	74,087	-	-	-	-
Debt service, interest and fees	20,469	-	-	-	-
Total expenditures	212,754	3,251	92,535	424,018	202,722
Excess of revenues over (under) expenditures	(58,771)	35,391	(51,235)	(1,127)	(896)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,422	-	-	-	-
Transfers out	(82,800)	-	-	-	-
Capital lease financing issued	-	-	-	-	-
Total other financing sources (uses)	(80,378)	-	-	-	-
Net change in fund balance	(139,149)	35,391	(51,235)	(1,127)	(896)
FUND BALANCES					
Beginning fund balances (July 1)	238,623	119,092	60,216	1,133	897
Adjustment to prior period	-	-	-	-	-
Beginning fund balances-restated	238,623	119,092	60,216	1,133	897
Ending fund balances (June 30)	\$ 99,474	\$ 154,483	\$ 8,981	\$ 6	\$ 1

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Non-major Governmental Funds									
Child Support Incentives	Golden LEAF - Aseptia	Schools Projects	Airport Projects	County Projects	Totals				
					2018	2017			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 624,717	\$ 618,465			
42,515	-	-	-	-	276,307	439,859			
-	-	-	-	-	133	1,207			
-	37,342	-	-	-	37,342	46,214			
42,515	37,342	-	-	-	938,499	1,105,745			
-	-	-	6,756	-	6,756	78,451			
-	-	-	-	-	748,189	1,266,547			
48,914	-	-	-	-	48,914	10,232			
-	-	1,304,873	-	-	1,304,873	481,737			
-	-	-	-	-	92,535	400			
-	-	-	-	-	74,087	-			
-	-	-	-	-	20,469	-			
48,914	-	1,304,873	6,756	-	2,295,823	1,837,367			
(6,399)	37,342	(1,304,873)	(6,756)	-	(1,357,324)	(731,622)			
-	-	597,897	-	632,060	1,232,379	1,122,394			
-	-	-	-	-	(82,800)	-			
-	-	-	-	-	-	409,379			
-	-	597,897	-	632,060	1,149,579	1,531,773			
(6,399)	37,342	(706,976)	(6,756)	632,060	(207,745)	800,151			
248,004	336,251	1,156,989	122,271	1,192,740	3,476,216	2,358,646			
-	-	-	-	-	-	317,419			
248,004	336,251	1,156,989	122,271	1,192,740	3,476,216	2,676,065			
\$ 241,605	\$ 373,593	\$ 450,013	\$ 115,515	\$ 1,824,800	\$ 3,268,471	\$ 3,476,216			

(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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
System subscriber/surcharge fees	\$ 153,851	\$ 153,850	\$ (1)	\$ 219,932
Investment earnings	-	133	133	1,207
Total revenues	153,851	153,983	132	221,139
EXPENDITURES				
Public safety:				
Phone and furniture expenditures	61,150	56,340	4,810	38,639
Software maintenance expenditures	36,000	32,144	3,856	36,046
Hardware maintenance expenditures	135,206	121,745	13,461	31,503
Training expenditures	5,000	2,525	2,475	758
Other expenditures	10,000	-	10,000	5,650
Capital outlay, hardware		-	-	525,070
Total public safety expenditures	247,356	212,754	34,602	637,666
Excess of revenues over (under) expenditures	(93,505)	(58,771)	34,734	(416,527)
OTHER FINANCING SOURCES (USES)				
Implemental functions (transfer to General fund)	(98,500)	(82,800)	15,700	-
Transfers in:				
from General fund for prior year expenditures	10,000	2,422	(7,578)	-
Capital lease financing issued	-	-	-	409,379
Fund balance appropriated	182,005	-	(182,005)	-
Total other financing sources (uses)	93,505	(80,378)	(173,883)	409,379
Net change in fund balance	\$ -	(139,149)	\$ (139,149)	(7,148)
FUND BALANCES				
Beginning fund balances (July 1)		238,623		245,771
Ending fund balances (June 30)		<u>\$ 99,474</u>		<u>\$ 238,623</u>
RECONCILIATION TO ANNUAL PSAP REPORT				
	<i>Revenue</i>	<i>Expenditures</i>	<i>Fund Balance</i>	
Totals (from above)	153,983	212,754	99,474	
less interest earnings	(133)	-	-	
plus Implemental functions (transfer to General Fund)	-	41,400	-	
Totals reported to NC 911 Board	153,850	254,154	99,474	

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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 40,000	\$ 38,642	\$ (1,358)	\$ 38,584
Total revenues	40,000	38,642	(1,358)	38,584
EXPENDITURES				
Public safety:				
Salaries and benefits	10,765	-	10,765	-
Education and training services	-	629	(629)	-
Supplies	235	1,035	(800)	81
Travel expenses	1,000	290	710	370
Postage, shipping, and delivery charges	-	47	(47)	-
Memberships, dues, and subscriptions	8,000	-	8,000	7,325
Contracted services	-	1,250	(1,250)	-
Capital & equipment outlays	20,000	-	20,000	2,455
Total expenditures	40,000	3,251	36,749	10,231
Excess of revenues over (under) expenditures	-	35,391	35,391	28,353
Net change in fund balance	\$ -	35,391	\$ 35,391	28,353
FUND BALANCES				
Beginning fund balances (July 1)		119,092		90,739
Ending fund balances (June 30)		<u>\$ 154,483</u>		<u>\$ 119,092</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, 2018

With Comparative Totals from Project Inception to June 30, 2017

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Project URP-1224	100,000	50,000	41,300	91,300
Miscellaneous (URP-1224)	10,617	10,616	-	10,616
Total revenues	110,617	60,616	41,300	101,916
EXPENDITURES				
Economic and physical development:				
Community Development Block Grant-2016 Urgent Repair Program, URP-1224				
Administration	18,617	400	10,400	10,800
Housing rehabilitation	92,000	-	82,135	82,135
Total expenditures	110,617	400	92,535	92,935
Net change in fund balance	\$ -	\$ 60,216	(51,235)	\$ 8,981
FUND BALANCES				
Beginning fund balances			60,216	
Ending fund balances			<u>\$ 8,981</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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 413,000	\$ 415,154	\$ 2,154	\$ 413,729
Prior years	14,000	5,721	(8,279)	5,145
Penalties and interest	-	2,016	2,016	-
Total revenues	427,000	422,891	(4,109)	418,874
EXPENDITURES				
Public safety:				
Interest penalty	-	-	-	349
Contribution to Volunteer Fire Department	427,000	424,018	2,982	418,751
Total expenditures	427,000	424,018	2,982	419,100
Net change in fund balance	\$ -	(1,127)	\$ (1,127)	(226)
FUND BALANCES				
Beginning fund balances (July 1)		1,133		1,359
Ending fund balances (June 30)		<u>\$ 6</u>		<u>\$ 1,133</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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 199,000	\$ 198,362	\$ (638)	\$ 192,888
Prior years	8,000	2,108	(5,892)	6,703
Penalties and interest	-	1,356	1,356	-
Total revenues	<u>207,000</u>	<u>201,826</u>	<u>(5,174)</u>	<u>199,591</u>
EXPENDITURES				
Public safety:				
Contribution to Volunteer Fire Department	207,000	202,722	4,278	199,550
Net change in fund balance	<u>\$ -</u>	<u>(896)</u>	<u>\$ (896)</u>	<u>41</u>
FUND BALANCES				
Beginning fund balances (July 1)		897		856
Ending fund balances (June 30)		<u>\$ 1</u>		<u>\$ 897</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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 35,000	\$ 42,515	\$ 7,515	\$ 52,893
Total revenues	35,000	42,515	7,515	52,893
EXPENDITURES				
Human services:				
IV-D child incentives	30,000	7,820	22,180	8,335
Legal fees	-	39,566	(39,566)	-
Other expenditures	260,000	1,528	258,472	1,897
Total expenditures	290,000	48,914	241,086	10,232
Excess of revenues over (under) expenditures	(255,000)	(6,399)	248,601	42,661
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	255,000	-	(255,000)	-
Total other financing sources (uses)	255,000	-	(255,000)	-
Net change in fund balance	\$ -	(6,399)	\$ (6,399)	42,661
FUND BALANCES				
Beginning fund balances (July 1)		248,004		205,343
Ending fund balances (June 30)		\$ 241,605		\$ 248,004

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, 2018

With Comparative Totals from Project Inception to June 30, 2017

	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	337,084	37,342	374,426
Total revenues	3,592,500	3,836,183	37,342	3,873,525
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	\$ -	\$ 336,251	37,342	\$ 373,593
FUND BALANCES				
Beginning fund balances			336,251	
Ending fund balances			<u>\$ 373,593</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, 2018

With Comparative Totals from Project Inception to June 30, 2017

	Project Authorization	Prior Years	Current Year	Total to Date
EXPENDITURES				
Schools capital outlay				
MCS building repairs				
Construction and renovation	1,555,332	348,844	1,141,533	1,490,377
Engineering, legal, & other professional services	175,000	106,518	42,701	149,219
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	774,304	437,092	96,639	533,731
Other expenses	26,000	2,000	24,000	26,000
Total expenditures	2,558,983	922,800	1,304,873	2,227,673
Excess of revenues over (under) expenditures	(2,558,983)	(922,800)	(1,304,873)	(2,227,673)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (MCS building repairs)	1,730,332	1,388,697	435,216	1,823,913
from General fund (MCC building repairs)	828,651	691,092	162,681	853,773
Total other financing sources (uses)	2,558,983	2,079,789	597,897	2,677,686
Net change in fund balance	\$ -	\$ 1,156,989	(706,976)	\$ 450,013
FUND BALANCES				
Beginning fund balances			1,156,989	
Ending fund balances			<u>\$ 450,013</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, 2018

With Comparative Totals from Project Inception to June 30, 2017

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Airport Block Grant, Land Acquisition	\$ 351,000	\$ 387,131	\$ -	\$ 387,131
Airport Block Grant, Fueling Station	214,000	-	-	-
Total revenues	565,000	387,131	-	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	83,693	-	83,693
Land acquisition	358,196	250,642	-	250,642
Other expenses	-	45	-	45
Airport Block Grant-Fueling Station				
Construction	166,970	-	-	-
Engineering, legal, & other professional services	47,030	-	6,756	6,756
Airport Block Grant-future project	83,335	-	-	-
Total expenditures	798,335	387,480	6,756	394,236
Excess of revenues over (under) expenditures	(233,335)	(349)	(6,756)	(7,105)
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	83,335	-	83,335
Total other financing sources (uses)	233,335	122,620	-	122,620
Net change in fund balance	\$ -	\$ 122,271	(6,756)	\$ 115,515
FUND BALANCES				
Beginning fund balances			122,271	
Ending fund balances			<u>\$ 115,515</u>	

County of Montgomery, North Carolina

**I. 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, 2018

With Comparative Totals from Project Inception to June 30, 2017

	Project Authorization	Prior Years	Current Year	Total to Date
EXPENDITURES				
General government:				
Future projects	1,344,735	-	-	-
Total expenditures	1,344,735	-	-	-
 Excess of revenues over (under) expenditures	 (1,344,735)	 -	 -	 -
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (past projects, unspent)	-	398,005	-	398,005
from General fund (upcoming projects)	1,344,735	794,735	632,060	1,426,795
Total other financing sources (uses)	1,344,735	1,192,740	632,060	1,824,800
 Net change in fund balance	 \$ -	 \$ 1,192,740	 632,060	 \$ 1,824,800
FUND BALANCES				
Beginning fund balances (July 1)			1,192,740	
Ending fund balances (June 30)			<u>\$ 1,824,800</u>	

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018
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	136
b. Water Projects Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.b	138

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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Operating revenues:				
Departmental fees-sales of services	\$ 3,804,500	\$ 4,129,748	\$ 325,248	\$ 4,441,442
Other fees	54,000	59,788	5,788	59,788
Total operating revenues	3,858,500	4,189,536	331,036	4,501,230
Non-operating revenues:				
Interest earned	7,500	55,588	48,088	14,529
Miscellaneous	1,000	3,793	2,793	9,111
Total non-operating revenues	8,500	59,381	50,881	23,640
Total revenues	3,867,000	4,248,917	381,917	4,524,870
EXPENDITURES				
Administration and operating expenditures:				
Salaries and employee benefits	785,064	785,067	(3)	744,186
Various professional services	271,800	301,475	(29,675)	132,025
Supplies and materials	218,000	225,298	(7,298)	182,105
Automotive fuels and supplies	27,300	30,693	(3,393)	23,925
Penalties and fines	-	129	(129)	20,164
Postage, shipping, delivery costs	43,000	39,446	3,554	41,777
Utilities	277,000	276,137	863	264,470
Repairs and maintenance	246,000	256,217	(10,217)	174,379
Rental/lease expenditures	25,991	25,023	968	12,629
Contracted services	126,383	122,751	3,632	116,426
Sludge removal	9,000	8,647	353	-
Furniture, equipment, and tools	192,000	76,373	115,627	18,353
Sewer processing charges	76,000	71,239	4,761	51,566
Other	29,038	25,871	3,167	42,146
Total administration and operating expenditures	2,326,576	2,244,366	82,210	1,824,151
Debt service:				
Debt principal retirement	843,165	843,165	-	827,003
Debt interest paid	259,716	259,716	-	278,230
Debt service fees	4,603	-	4,603	-
Capital outlay expenditures	98,000	89,869	8,131	101,120
Total expenditures	3,532,060	3,437,116	94,944	3,030,504
Excess of revenues over (under) expenditures	334,940	811,801	476,861	1,494,366
OTHER FINANCING SOURCES (USES)				
Transfers out to Water Projects fund	(376,000)	(275,021)	100,979	(357,940)
Fund balance appropriated	41,060	-	(41,060)	-
Total other financing sources (uses)	(334,940)	(275,021)	59,919	(357,940)
Net change in fund balance (modified accrual basis)	\$ -	\$ 536,780	\$ 536,780	\$ 1,136,426

(continued on next page)

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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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	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)		\$ 536,780		\$ 1,136,426
Revenue and expenditure activity of capital projects		(337,660)		(359,940)
Transfer of funds to capital projects		275,021		357,940
Non-cash gain (loss) on disposals of capital assets		(1,653)		(651)
Transfer of capital assets from (to) General Fund		15,636		-
Capital outlay expenditures		89,869		101,120
Acquisition of capital assets through project activity		278,265		335,542
Depreciation expense		(1,168,021)		(1,168,117)
Contributions to pension plan during this fiscal year		42,871		40,117
Contributions to pension plan from previous fiscal year		(40,117)		(37,162)
Pension expense		(8,053)		(14,299)
Change in compensated absences		2,836		(9,570)
Change in accrued retirement benefits		-		3,819
Retirement of debt principal		843,165		827,003
Change in accrued debt interest payable		3,145		3,113
Change in net position (full accrual basis)		\$ 532,084		\$ 1,215,341
Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis				
Departmental fees (modified accrual basis)		\$ 4,129,748		\$ 4,441,442
Bad debt expense (reduces revenue under MA basis)		62,063		83,185
Departmental fees (full accrual basis)		\$ 4,191,811		\$ 4,524,627

(continued from previous page)

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County of Montgomery, North Carolina

b. Water Projects Fund: Schedule of Revenues and Expenditures

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

For the Year Ended June 30, 2018

With Comparative Totals from Project Inception to June 30, 2017

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted				
NC DEQ DWI grant (various projects)	\$ 1,911,000	\$ -	\$ 142,500	\$ 142,500
Departmental fees-sales of services (prior projects)	-	246,577	-	246,577
Total revenues	1,911,000	246,577	142,500	389,077
EXPENDITURES				
Environmental protection:				
Correll Road Hydraulic Improvements (61.806):				
Capital outlays for property and equipment	7,400	7,398	-	7,398
Construction	218,550	195,401	11,954	207,355
Engineering & other professional services	54,050	40,000	10,800	50,800
Biscoe Meter Vault (61.807):				
Construction	106,200	102,941	2,800	105,741
Engineering & other professional services	12,800	12,200	-	12,200
Asset Inventory & Assessment (61.808):				
Administration & Legal	5,000	-	4,250	4,250
Property and equipment	33,000	-	6,000	6,000
Engineering & other professional services	289,300	-	193,390	193,390
Other expenses	22,700	-	-	-
Chemical Feed Rehab (61.809):				
Administration & Legal	29,500	-	-	-
Construction	371,000	-	-	-
Engineering & other professional services	67,500	-	24,737	24,737
Other expenses	132,000	-	-	-
Booster Pump Stations 1 & 2 Rehab (61.810):				
Administration & Legal	230,000	-	-	-
Construction	1,496,600	-	-	-
Engineering & other professional services	182,400	-	88,000	88,000
Other expenses	191,000	-	-	-
Fairway Shores (61.811 & 812)				
Administration & Legal	55,000	-	-	-
Construction	1,063,200	-	-	-
Engineering & other professional services	164,200	-	109,400	109,400
Other expenses	242,600	-	-	-
Livingston Point Improvements (61.813)				
Administration & Legal	22,400	-	-	-
Construction	232,000	-	25,413	25,413
Engineering & other professional services	22,000	-	800	800
Other expenses	23,600	-	1,116	1,116
Sewer Consolidation Study (61.814 & 815)				
Administration & Legal	6,500	-	1,500	1,500
Engineering & other professional services	93,750	-	-	-
Total expenditures	5,374,250	357,940	480,160	838,100

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County of Montgomery, North Carolina

b. Water Projects Fund: Schedule of Revenues and Expenditures

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

For the Year Ended June 30, 2018

With Comparative Totals from Project Inception to June 30, 2017

	Project Authorization	Prior Years	Current Year	Total to Date
(continued from previous page)				
Excess of revenues over (under) expenditures	(3,463,250)	(111,363)	(337,660)	(449,023)
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	22,755	265,554
from Water System fund (61.807)	119,000	115,141	2,800	117,941
from Water System fund (61.809)	100,000	-	24,737	24,737
from Water System fund (61.810)	100,000	-	88,000	88,000
from Water System fund (61.811&812)	703,500	-	109,400	109,400
from Water System fund (61.813)	300,000	-	27,329	27,329
Proceeds from loan issues (various projects)	1,660,750	-	-	-
Fund balance appropriated (61.808)	200,000	-	-	-
Total other financing sources (uses)	3,463,250	548,697	275,021	823,718
Net difference	\$ -	\$ 437,334	(62,639)	\$ 374,695

FUND BALANCES

Beginning fund balances (July 1)	437,334
Ending fund balances (June 30)	<u>\$ 374,695</u>

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For the Year Ended June 30, 2018

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County of Montgomery, North Carolina
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For the Year Ended June 30, 2018
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	142

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, 2018

	Beginning Balance 2017	Additions	Deductions	Ending Balance 2018
SSA Representative Payee Conserved Trust Fund				
Assets				
Cash and cash equivalents	\$ 22,375	\$ 155,379	\$ (156,948)	\$ 20,806
Liabilities				
Accounts payable	\$ 22,375	\$ 155,379	\$ (156,948)	\$ 20,806
Property Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 27,885	\$ 2,225,837	\$ (2,220,773)	\$ 32,949
Taxes receivable	310,216	2,116,726	(2,131,296)	295,646
Total assets	\$ 338,101	\$ 4,342,563	\$ (4,352,069)	\$ 328,595
Liabilities				
Accounts payable	\$ 27,885	\$ 2,226,369	\$ (2,221,305)	\$ 32,949
Deferred inflows of resources				
Property taxes receivable, net	310,216	2,080,738	(2,095,308)	295,646
Total liabilities and deferred inflows	\$ 338,101	\$ 4,307,107	\$ (4,316,613)	\$ 328,595
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable	\$ -	\$ 308,349	\$ (308,349)	\$ -
Liabilities				
Due to other taxing units	\$ -	\$ 308,349	\$ (308,349)	\$ -
Inmate Trust Fund				
Assets				
Cash and cash equivalents	\$ 17,899	\$ 65,248	\$ (50,886)	\$ 32,261
Liabilities				
Accounts payable	\$ 17,899	\$ 180,851	\$ (166,489)	\$ 32,261
Soil & Water Conservation Trust Fund				
Assets				
Cash and cash equivalents	\$ 16,053	\$ 3,518	\$ (2,040)	\$ 17,531
Liabilities				
Accounts payable	\$ 16,053	\$ 30,518	\$ (29,040)	\$ 17,531

(continued on next page)

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County of Montgomery, North Carolina

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

For the Year Ended June 30, 2018

	Beginning Balance 2017	Additions	Deductions	Ending Balance 2018
(continued from previous page)				
Agricultural Advisory Board Trust Fund				
Assets				
Cash and cash equivalents	\$ 6,982	\$ 1,040	\$ -	\$ 8,022
Liabilities				
Accounts payable	\$ 6,982	\$ 1,040	\$ -	\$ 8,022
TOTALS, All Agency Funds				
Assets				
Cash and cash equivalents	\$ 91,194	\$ 2,451,022	\$ (2,430,647)	\$ 111,569
Taxes receivable	310,216	2,116,726	(2,131,296)	295,646
Intergovernmental receivable	-	308,349	(308,349)	-
Total assets	\$ 401,410	\$ 4,876,097	\$ (4,870,292)	\$ 407,215
Liabilities				
Accounts payable	\$ 91,194	\$ 2,594,157	\$ (2,573,782)	\$ 111,569
Due to other taxing units	-	308,349	(308,349)	-
Subtotal liabilities	\$ 91,194	\$ 2,902,506	\$ (2,882,131)	\$ 111,569
Deferred inflows of resources				
Property taxes receivable, net	310,216	2,080,738	(2,095,308)	295,646
Subtotal deferred inflows	\$ 310,216	\$ 2,080,738	\$ (2,095,308)	\$ 295,646
Total liabilities and deferred inflows	\$ 401,410	\$ 4,983,244	\$ (4,977,439)	\$ 407,215

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County of Montgomery, North Carolina
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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	145
b. Montgomery County Tourism Development Authority: Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.D.7.b	146

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, 2018

With Comparative Totals as of June 30, 2017

		Totals	
		2018	2017
ASSETS			
Cash and cash equivalents	\$	152,156	\$ 112,482
Taxes receivable, net		-	2,831
Due from other governments		247	82
Prepaid items		74	2,706
Total assets	\$	152,477	\$ 118,101
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$	-	\$ 3,525
Total liabilities	\$	-	\$ 3,525
Fund balances:			
Non-spendable			
Prepaid items	\$	74	\$ 2,706
Restricted			
Stabilization of State Statute		247	2,913
Tourism promotion		152,156	108,957
Total fund balances		152,477	114,576
Total liabilities, deferred inflows and fund balances	\$	152,477	\$ 118,101

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, 2018

With Comparative Totals For the Year Ended June 30, 2017

	2018		2017	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Occupancy taxes on overnight lodging facilities	\$ 47,500	\$ 43,532	\$ (3,968)	\$ 38,629
Total revenues	47,500	43,532	(3,968)	38,629
EXPENDITURES				
Economic development (tourism promotion)				
Tourism and event promotion	2,500	2,500	-	9,042
Operating expenditures	80,000	3,131	76,869	883
Total expenditures	82,500	5,631	76,869	9,925
Excess of revenues over (under) expenditures	(35,000)	37,901	(80,837)	28,704
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	35,000	-	(35,000)	-
Total other financing sources (uses)	35,000	-	(35,000)	-
Net change in fund balance	\$ -	37,901	\$ (115,837)	28,704
FUND BALANCES				
Beginning fund balances (July 1)		114,576		85,872
Ending fund balances (June 30)	\$ 152,477		\$ 114,576	

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

	<u>Identifier</u>	<u>Page No.</u>
1. Schedule of Cash and Investment Balances - Primary Government	Exhibit II.E.01	148
2. Schedule of Interfund Transfers	Exhibit II.E.02	149
3. Analysis of Current Tax Levy - County Government	Exhibit II.E.03	150
4. Schedule of Ad Valorem Taxes Receivable - County Government (11)	Exhibit II.E.04	151
5. Principal Taxpayers from Selected Years (Now, -4, -8, and -12)	Exhibit II.E.05	152

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, 2018

		Cash Distribution by Funds	
		Amounts Presented on Statements *	
	Fund Number		Totals
Cash and cash equivalents			
Unrestricted cash and cash equivalents			
General Fund	10-17	\$ 14,743,742	
Special Revenue Funds:		2,210,331	
Emergency Telephone System Fund	20	52,683	
EMPG Fund	23	150,563	
Community Development Fund	24	8,981	
Badin Lake Fire District Fund	26	2,296	
Lake Tillery Fire District Fund	29	1,512	
Child Incentives Fund	33	243,924	
Golden LEAF - Aseptia Fund	37	1,750,372	
Capital Projects Funds:		9,483,156	
School Projects	46	302,189	
Educational Facilities	47	7,240,652	
Airport Projects	48	115,515	
County Projects	49	1,824,800	
Enterprise Fund, unrestricted cash	60-61	5,495,463	
Total unrestricted cash and cash equivalents			\$ 31,932,692
Restricted cash			
General Fund	10-17	599,797	
Capital Projects Funds		66,310,648	
Total restricted cash			66,910,445
Total cash and cash equivalents of the Primary Government			\$ 98,843,137
(see Exhibit II.C.1.a, Government-Wide Statement of Net Position)			
Other cash and cash equivalents			
Agency Funds	70-81	111,569	
Total cash and cash equivalents			\$ 98,954,706

County of Montgomery, North Carolina

2. Schedule of Interfund Transfers

For the Year Ended June 30, 2018

	Transfers out from:			
	General Fund	Emergency Telephone Fund	Water Operations Fund	Total
Transfers in to:				
General Fund	\$ -	\$ 82,800	\$ -	\$ 82,800
Emergency Telephone System Fund	2,422	-	-	2,422
Schools Projects Fund	597,897	-	-	597,897
Educational Facilities Fund	6,237,625	-	-	6,237,625
County Projects Fund	632,060	-	-	632,060
Water Projects Fund	-	-	275,021	275,021
Total	\$ 7,470,004	\$ 82,800	\$ 275,021	\$ 7,827,825

County of Montgomery, North Carolina

2. Schedule of Interfund Transfers

For the Year Ended June 30, 2017

	Transfers out from:			
	General Fund	Emergency Telephone Fund	Water Operations Fund	Total
Transfers in to:				
General Fund	\$ -	\$ -	\$ 661	\$ 661
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 System Fund	-	-	357,940	357,940
Total	\$ 2,335,897	\$ -	\$ 358,601	\$ 2,694,498

County of Montgomery, North Carolina

3. Analysis of Current Tax Levy - County Government

For the Year Ended June 30, 2018

	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	\$ 3,050,214,203	0.62000	\$ 18,911,332	\$ 17,376,860	\$ 1,534,472
Property taxed at prior year's rate	-	0.57000	-	-	-
Penalties (late charges)			35,281	35,281	-
Subtotals	3,050,214,203		18,946,613	17,412,141	1,534,472
Discoveries, Late Listings, and Other Supplements					
Public Service Companies	94,218,578	0.62000	584,155	584,155	-
Property taxed at current year's rate	2,521,445	0.62000	15,633	15,633	-
Property taxed at prior year's rate	2,185,219	0.62000	13,548	13,548	-
Property taxed at prior year's rate	938,009	0.57000	5,347	5,347	-
Subtotals	99,863,251		618,683	618,683	-
Abatelements					
Property taxed at current year's rate	(10,603,922)	0.62000	(65,982)	(65,982)	-
Property taxed at prior year's rate	(108,830)	0.62000	(675)	(675)	-
Property taxed at prior year's rate	(49,115)	0.57000	(280)	(280)	-
Subtotals	(10,761,867)		(66,937)	(66,937)	-
Totals	\$ 3,139,315,587		19,498,359	17,963,887	1,534,472
Net Levy			19,498,359	17,963,887	1,534,472
Less Uncollected Taxes, Current Year, at June 30			(629,354)	(629,354)	-
Current Year's Taxes Collected			\$ 18,869,005	\$ 17,334,533	\$ 1,534,472
Current Levy Collection Percentage (current year's taxes collected / net levy)			96.772%	96.497%	100.000%

Secondary Market Disclosures:

Assessed Valuations:

Assessment Ratio	100%		
Real Property	\$ 2,476,830,577	0.62000	\$ 15,356,350
Personal Property (current rate)	565,301,149	0.62000	3,504,867
Personal Property (prior rate)	2,965,283	0.57000	17,706
Public Service Companies	94,218,578	0.62000	584,155
Penalties			35,281
Totals	\$ 3,139,315,587		\$ 19,498,359

County of Montgomery, North Carolina

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

June 30, 2018

Fiscal Year Ended June 30	Uncollected Balance 2017	Additions		Deductions		Uncollected Balance 2018
		Original Levy	Supplements	Collections	Abatements and Other Credits	
County Government (11+14)						
2018	\$ -	\$ 18,946,613	\$ 618,683	\$ (18,869,005)	\$ (66,937)	\$ 629,354
2017	386,630		-	(180,329)	(747)	205,554
2016	209,624		-	(70,349)	(728)	138,547
2015	129,976		-	(38,220)	-	91,756
2014	127,205		-	(24,268)	-	102,937
2013	111,274		-	(16,811)	-	94,463
2012	104,595		-	(14,178)	-	90,417
2011	84,230		-	(10,052)	-	74,178
2010	65,310		-	(5,030)	-	60,280
2009	57,905		-	(2,821)	-	55,084
2008	61,586		-	(72)	-	61,514
older	86,761		-	(96)	(43,352)	43,313
	<u>1,425,096</u>	<u>\$ 18,946,613</u>	<u>\$ 618,683</u>	<u>\$ (19,231,231)</u>	<u>\$ (111,764)</u>	<u>1,647,397</u>
	<u>(737,074)</u>	Less allowance for uncollectible ad valorem taxes receivable				<u>(872,363)</u>
	<u>\$ 688,022</u>	Ad valorem taxes receivable, net				<u>\$ 775,034</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues (see Exhibit II.C.2.b)	\$ 19,371,322
Collections of taxes from years already written off as uncollectible	98
DMV collection charges, refunds, and other adjustments	1,874
Penalties, interest, and advertising fees	(142,063)
Total collections of taxes (as above)	<u>\$ 19,231,231</u>

Reconciliation with receivables:

Total reported taxes receivable, net (see Exhibit II.C.2.a)	\$ 780,742
Property tax discovery receivable for subsequent year	5,708
Total ad valorem taxes receivable (as above)	<u>\$ 775,034</u>

County of Montgomery, North Carolina

Page 1 of 2

5. Principal Taxpayers from Selected Years (Now, -4, -8, and -12)

For the Year Ended June 30, 2018

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Alcoa Power Generating	Utilities	\$ 94,299,897	3.004%	\$ 584,659	1
2. Duke Energy Progress	Utilities	58,628,584	1.868%	363,497	2
3. Unilin N.A.	Manufacturing	41,001,737	1.306%	254,211	3
4. Jordan Lumber & Supply	Manufacturing	35,182,912	1.121%	218,134	4
5. Troy Lumber Co	Manufacturing	30,105,402	0.959%	186,653	5
6. Wright Foods Group	Manufacturing	26,478,247	0.843%	164,165	7
7. Mountaire Farms	Manufacturing	16,200,022	0.516%	100,440	6
8. Hector Farm/Strata Solar	Utilities	15,000,000	0.478%	93,000	n/a
9. Redus NC Land	Real Estate Development	12,963,100	0.413%	80,371	8
10. Montgomery Solar	Utilities	11,693,107	0.372%	72,497	9
11. Randolph EMC	Utilities	10,327,653	0.329%	64,031	11
12. The Tillery Tradition	Real Estate Development	9,827,087	0.313%	60,928	12
Totals		\$ 361,707,748	11.522%	\$ 2,242,586	
Total Assessed Valuation and Levy		3,139,315,587		19,498,359	

5. Principal Taxpayers from Selected Years (Now, -4, -8, and -12)

(continued from above and on next page)

For the Year Ended June 30, 2014

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Alcoa Power Generating	Utilities	\$ 92,018,500	3.069%	\$ 524,505	1
2. Progress Energy Carolinas	Utilities	60,696,380	2.024%	296,867	2
3. Jordan Lumber & Supply	Manufacturing	40,078,403	1.337%	228,447	3
4. Unilin N.A.	Manufacturing	34,730,359	1.158%	197,963	4
5. Randolph EMC	Utilities	13,200,233	0.440%	59,453	7
6. Redus NC Land	Real Estate Development	13,156,700	0.439%	74,993	5
7. Grede II	Manufacturing	13,049,349	0.435%	74,381	8
8. Mountaire Farms	Manufacturing	12,622,038	0.421%	71,946	6
9. Troy Lumber Co	Manufacturing	12,041,263	0.402%	68,635	9
10. Paperwork Industries	Manufacturing	11,427,605	0.381%	65,137	n/a
11. Tillery Tradition	Real Estate Development	11,144,626	0.372%	63,524	11
12. Central Telephone Co	Utilities	10,253,127	0.342%	45,855	10
Totals		\$ 324,418,583	10.819%	\$ 1,771,706	
Total Assessed Valuation and Levy		2,998,542,255		17,093,081	

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County of Montgomery, North Carolina

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5. Principal Taxpayers from Selected Years (Now, -4, -8, and -12)

(continued below and from previous page)

For the Year Ended June 30, 2010

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Alcoa Power Generating	Utilities	\$ 63,411,098	2.739%	\$ 393,149	2
2. Unilin N.A.	Manufacturing	49,543,315	2.140%	307,169	1
3. Progress Energy Carolinas	Utilities	39,741,739	1.716%	212,650	3
4. Jordan Lumber & Supply	Manufacturing	32,160,854	1.389%	199,397	4
5. Mountaire Farms	Manufacturing	30,125,514	1.301%	97,449	6
6. Tillery Tradition	Real Estate Development	19,001,100	0.821%	117,807	5
7. Troy Lumber Co	Manufacturing	15,320,123	0.662%	94,985	8
8. Citation Castings	Manufacturing	12,442,983	0.537%	77,146	7
9. Central Telephone Co	Utilities	10,289,262	0.444%	51,593	9
10. Lake Badin Associates	Real Estate Development	9,840,286	0.425%	61,010	10
11. Randolph EMC	Utilities	9,335,153	0.403%	46,113	11
12. Suddekor	Manufacturing	9,191,612	0.397%	56,988	n/a
Totals		\$ 300,403,039	12.973%	\$ 1,715,456	
Total Assessed Valuation and Levy		2,315,525,012		13,900,698	

5. Principal Taxpayers from Selected Years (Now, -4, -8, and -12)

(continued from above and from previous page)

For the Year Ended June 30, 2006

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Unilin N.A.	Manufacturing	\$ 62,371,497	2.953%	\$ 361,755	
2. Yadkin, Inc.	Utilities	41,319,737	1.956%	239,654	
3. Duke Energy Progress	Utilities	36,479,476	1.727%	211,581	
4. Jordan Lumber & Supply	Manufacturing	29,300,539	1.387%	169,867	
5. Tillery Tradition	Real Estate Development	16,530,700	0.783%	95,878	
6. Citation Castings	Manufacturing	11,051,445	0.523%	64,098	
7. Central Telephone Co	Utilities	10,982,261	0.520%	63,697	
8. Troy Lumber Co	Manufacturing	10,749,028	0.509%	62,344	
9. Randolph EMC	Utilities	10,655,825	0.504%	49,402	
10. Mountaire Farms	Manufacturing	9,797,135	0.464%	56,823	
11. Lake Badin Associates	Real Estate Development	9,456,633	0.448%	54,848	
12. Uwharrie Point Assoc.	Real Estate Development	7,212,100	0.341%	41,830	
Totals		\$ 255,906,376	12.114%	\$ 1,471,777	
Total Assessed Valuation and Levy		2,112,462,034		11,870,344	

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2018

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

	<u>Identifier</u>	<u>Page No.</u>
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1. 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	Exhibit III.A.1	156
2. Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with Uniform Guidance and the State Single Audit Implementation Act	Exhibit III.A.2	158
3. 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	Exhibit III.A.3	160
B. Schedule of Findings, Responses, and Questioned Costs	Subsection III.B.	162
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E. Schedule of Expenditures of Federal and State Awards	Subsection III.E.	172
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit III.E.1	176

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
Montgomery County

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 accompanying 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 Montgomery County, North Carolina as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Montgomery County, North Carolina's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-1, 2018-2, and 2018-3 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Montgomery County, 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 2018-1, 2018-2, and 2018-3.

Montgomery County's Response to Findings

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

Thomas, Judy & Tucker, P.A.

January 31, 2019

**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
Montgomery County

Report on Compliance for Each Major Federal Program

We have audited the Montgomery County, 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 Montgomery County, North Carolina's major federal programs for the year ended June 30, 2018. Montgomery County, 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 federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Montgomery County, 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 Montgomery County, 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 Montgomery County, North Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the Montgomery County, 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 for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questions costs as items 2018-1, 2018-2, and 2018-3 that we consider to be significant deficiencies.

The Montgomery County, 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 Montgomery County, 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 & Tucker, P.A.

January 31, 2019

**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
Montgomery County

Report on Compliance for Each Major State Program

We have audited the Montgomery County, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Montgomery County, North Carolina's major state programs for the year ended June 30, 2018. The Montgomery County, 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Montgomery County, 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 Montgomery County, 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 Montgomery County, North Carolina's compliance.

Opinion on Each Major State Program

In our opinion, the Montgomery County, 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 for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-1, 2018-2, and 2018-3 that we consider to be significant deficiencies.

The Montgomery County, North Carolina's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The Montgomery County, 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 & Tucker, P.A.

January 31, 2019

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2018
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 X No
- Significant deficiencies identified? _____X Yes _____None Reported
- Noncompliance material to financial statements noted? _____Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? _____Yes X No
- Significant deficiencies identified? _____X Yes _____None Reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? _____X Yes _____No

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medical Assistance Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.561	Supplemental Nutrition Assistance Program Cluster
93.044, 93.045, 93.053	Special Programs for the Aging – Aging Cluster

Dollar threshold used to distinguish Between Type A and Type B Programs: \$750,000

Auditee qualified as a low-risk auditee? _____Yes X No

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2018
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? _____ Yes X 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:

Special Programs for the Aging - Aging Cluster
Public School Building Capital Fund - Lottery Proceeds
Drinking Water State Revolving Funds

SECTION II - FINANCIAL STATEMENT FINDINGS

No Findings.

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 and Supplemental Nutrition Assistance Program Cluster (DSS Crosscutting)

CFDA#: 93.778 and 10.561, respectively

SIGNIFICANT DEFICIENCY

SIGNIFICANT NONCOMPLIANCE

2018-1

Day Sheet Testing

Criteria: The County should have proper controls and processes in place to ensure that day sheets account for 100% of employee time as required in the DSS Services Information System User's Manual and that program codes and activity codes are summarized correctly, day sheet entries are supported by documentation in case record files and day sheet summaries are transferred to the DSS-1571 accurately to an eligible fund source.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2018
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

2018-1

Day Sheet Testing (Continued)

Condition: For 11 of the 25 day sheets selected, no timestamps were found in NCFast evidencing work done on the day selected for testing or by the employee selected for testing. Support for one selection made did not provide sufficient support to determine that the amount of time recorded was supported by documentation in the case record files. One selection was coded to the incorrect program. For two selections, we noted that time was being recorded to general administration instead of the applicable program. We also noted several tasks, such as clearing task lists, medicaid staff meetings, and other generic medicaid based items were not consistently treated. Some were recorded to general administration while others were coded to medicaid.

Questioned Costs: Out of 12,240 minutes selected for testing, 2,430 minutes were deemed to be incorrect. However, it should be noted that none of the findings would have resulted in an overpayment of federal funds, or affected the rate of reimbursement for services performed.

Cause: The County does not have a formal process for requiring sufficient evidence within case files to support the time recorded on the day sheets. Additionally, there does not appear to be a policy that is consistently followed with regard to the required information needed to be recorded within the day sheets in order to provide sufficient evidence that 100% of employee time is supported by documentation in case record files.

Context: Two days were selected and an aggregate of 25 employees were chosen to agree time recorded on the day sheet to evidence in case files.

Effect: The amount of cost requested for reimbursement through the DSS-1571 may be coded incorrectly as to the amount of time spent on a particular program.

Recommendation: We recommend that the County implement a formal policy to ensure that all day sheet entries are supported by documentation in case record files. The policy should also include oversight and evidence of approval via a signature from the appropriate level of management.

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, 2018
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

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

SIGNIFICANT DEFICIENCY

SIGNIFICANT NONCOMPLIANCE

2018-2 (Repeat Finding of 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: Eighteen applicants were found to have technical errors that were due to either system or human error.

Questioned Costs: \$0. None of the errors affected eligibility.

Context: Out of 96 adult Medicaid files that were reviewed eighteen technical errors were noted, however none affected eligibility.

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

Cause: In addition to human error, there appear to be inherent errors within the NCFast system and OVS generated reports used to determine eligibility.

Recommendation: We recommend that the County continue to conduct second party reviews 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.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2018
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

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 2018-3 (Repeat Finding of 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: One time study 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 August 2017 and February 2018 were tested and 100% of the time studies for those two months were reviewed. Out of 14 total time studies reviewed, one did not provide evidence of a supervisor signature on the time study.

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 request reimbursement within the WIRM report.

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, 2018
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 2018-1

Refer to Finding 2018-2

Refer to Finding 2018-3

Montgomery County Government

102 East Spring St. ~ P.O. Box 425, Troy, North Carolina 27371-0425
Telephone: (910) 576-4221 Fax: (910) 576-4566

County of Montgomery, North Carolina Annual Financial and Compliance Report For the Fiscal Year Ended June 30, 2018

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS C. Corrective Action Plan

FINANCIAL STATEMENT FINDINGS -- SECTION II

No findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS -- SECTION III

Finding: 2018-1 (Day Sheet Testing)

Contact's Name & Title: Caleb Hawkins, Administrative Officer
Department of Social Services

Corrective Action: Leadership in the Department of Social Services developed an internal control process to be proactive in addressing deficiencies in daysheet coding and accuracy. Each month, five employees are chosen at random and a work day is chosen at random. Each entry for that date is audited for those employees. Discrepancies, missing documentation, and inaccurate coding are addressed with employees immediately. Training on correct coding, accuracy, and documentation is being conducted on an annual basis for all affected staff and additional trainings are provided when errors are discovered. Through these combined efforts of general trainings, internal audits, and problem-area trainings over the past few months, we've already seen significant improvement.

Proposed Completion Date: November 1, 2018

Finding: 2018-2 (Medicaid Eligibility)

Contact's Name & Title: Leigh Ann Hogan, Medicaid Unit Supervisor

Corrective Action: Management and delegated experienced staff will continue to follow State requirements for second party reviews. These second party reviews are completed quarterly and documentation is retained in a centralized location for any further necessary review. For new employees, second party reviews will include 100% of applications and renewals processed during their first two months, at a minimum. These practices were strengthened during the fiscal year ended June 30, 2017, substantial improvements have resulted, and continued progress is expected.

Proposed Completion Date: April 1, 2017

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2018
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
C. Corrective Action Plan
(continued from previous page)

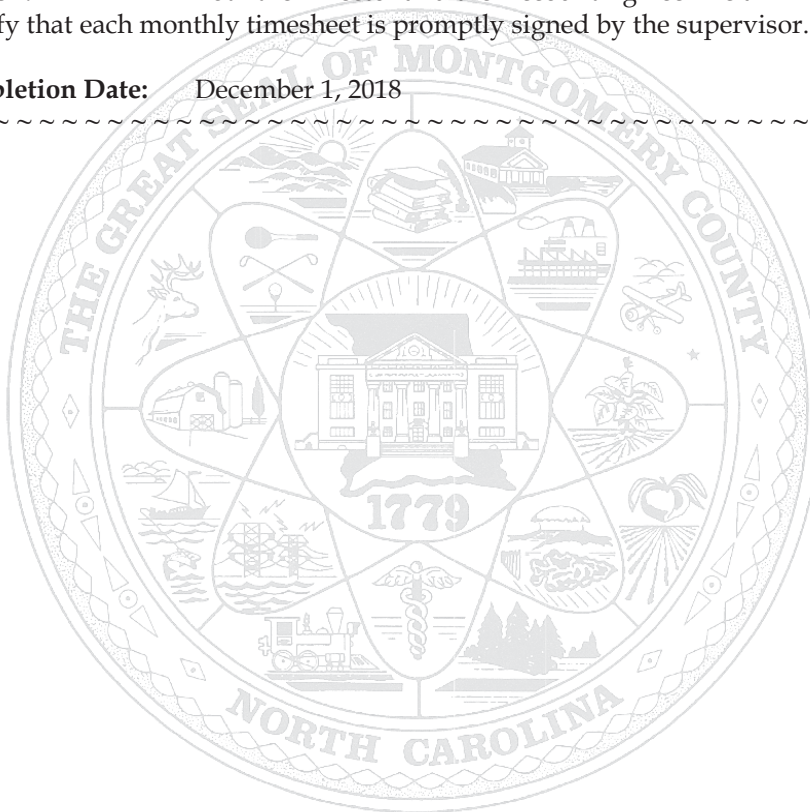
Finding: 2018-3 (Internal Controls Over Payroll)

Contact's Name & Title: Sharon Dustin, WIC Director

Corrective Action: Both the Director and the Accounting Technician in the Department of Health will verify that each monthly timesheet is promptly signed by the supervisor.

Proposed Completion Date: December 1, 2018

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**County of Montgomery, North Carolina**  
**Annual Financial and Compliance Report**  
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**III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS**  
**D: Summary Schedule of Prior Audit Findings**

|                 |                                                                                                                                                                                                                                                                                                                                         |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Finding:</b> | <b>2017-1</b>                                                                                                                                                                                                                                                                                                                           |
| Status:         | Corrected.                                                                                                                                                                                                                                                                                                                              |
| <b>Finding:</b> | <b>2017-2</b>                                                                                                                                                                                                                                                                                                                           |
| Status:         | Corrected. The County performed a physical fixed asset inventory during the 2018 year and plans to do so on an annual basis.                                                                                                                                                                                                            |
| <b>Finding:</b> | <b>2017-3</b>                                                                                                                                                                                                                                                                                                                           |
| Status:         | Corrected. The County incorporated a formal process for performing second party reviews on Medicaid casefiles in April 2017 and this continued through June 30, 2018.                                                                                                                                                                   |
| <b>Finding:</b> | <b>2017-4</b>                                                                                                                                                                                                                                                                                                                           |
| Status:         | Repeat Finding. The County is making improvements as it relates to eligibility determinations. Even though none affected eligibility, during the current year, several technical errors were reported. Refer to finding 2018-2.                                                                                                         |
| <b>Finding:</b> | <b>2017-5</b>                                                                                                                                                                                                                                                                                                                           |
| Status:         | Repeat Finding. The County is continuing to make improvements with regard to obtaining supervisory signature on time studies used to request reimbursement within the WIRM report. However, during the current year, out of 14 total time studies reviewed, one time study did not have supervisory signature. Refer to finding 2018-3. |

**County of Montgomery, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2018**  
**III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS**  
**E. Schedule of Expenditures of Federal and State Awards**

| Grantor/Pass-Through<br>Grantor/Program Title                                                        | Federal<br>CFDA<br>Number | State or<br>Pass-Thru<br>Grantor<br>Number | Federal<br>(Direct and<br>Pass-Thru)<br>Expenditures | State<br>(Direct and<br>Pass-Thru)<br>Expenditures | Passed-<br>through to<br>Subrecipients | County<br>Expenditures |
|------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------------|------------------------------------------------------|----------------------------------------------------|----------------------------------------|------------------------|
| <b>Federal Awards:</b>                                                                               |                           |                                            |                                                      |                                                    |                                        |                        |
| <u><b>U.S. Dept. of Agriculture</b></u>                                                              |                           |                                            |                                                      |                                                    |                                        |                        |
| <u>Direct program:</u>                                                                               |                           |                                            |                                                      |                                                    |                                        |                        |
| Secure Rural Schools-National Timber Receipts                                                        | 10.665                    | -                                          | \$ 59,849                                            | \$ -                                               | \$ (59,849)                            | \$ -                   |
| <u>Passed-Through N.C. Department of Health and Human Services:</u>                                  |                           |                                            |                                                      |                                                    |                                        |                        |
| <u>Division of Public Health:</u>                                                                    |                           |                                            |                                                      |                                                    |                                        |                        |
| Special Supplemental Nutrition Program for Women,<br>Infants, and Children - direct benefit payments | 10.557                    | -                                          | -                                                    | -                                                  | -                                      | -                      |
| Special Supplemental Nutrition Program for<br>Women, Infants, and Children - administration          | 10.557                    | 540[3/4/5/9];570[A/B]                      | 186,324                                              | -                                                  | -                                      | -                      |
| <u>Total Division of Public Health</u>                                                               |                           |                                            | <u>186,324</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<br>Administration Matching Grant                        | 10.561                    | 404, 417                                   | 257,527                                              | -                                                  | -                                      | 257,527                |
| Food Stamps Incentive Retention                                                                      | 10.561                    | 455                                        | 10,249                                               | -                                                  | -                                      | -                      |
| Supplemental Nutrition Assistance Program - Fraud                                                    | 10.561                    | 405                                        | 33,185                                               | -                                                  | -                                      | 33,185                 |
| <u>Total Supplemental Nutrition Assistance Program Cluster</u>                                       |                           |                                            | <u>300,961</u>                                       | <u>-</u>                                           | <u>-</u>                               | <u>290,712</u>         |
| <u>Total U.S. Department of Agriculture</u>                                                          |                           |                                            | <u>547,135</u>                                       | <u>-</u>                                           | <u>(59,849)</u>                        | <u>290,712</u>         |
| <u><b>U.S. Department of Health and Human Services</b></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>                                                                                |                           |                                            |                                                      |                                                    |                                        |                        |
| Special Programs for the Aging - In Home Services                                                    | 93.044                    | -                                          | 11,119                                               | 4,979                                              | 16,098                                 | 7,746                  |
| III-B Grants for Supportive Services                                                                 | 93.044                    | -                                          | 8,648                                                | 110,144                                            | (118,792)                              | 69,949                 |
| Congregate Nutrition                                                                                 | 93.045                    | -                                          | 19,774                                               | 1,164                                              | (20,938)                               | 10,074                 |
| Home Delivered Nutrition                                                                             | 93.045                    | -                                          | 52,567                                               | 50,283                                             | (102,850)                              | 49,486                 |
| NSIP Supplement                                                                                      | 93.053                    | -                                          | 17,659                                               | -                                                  | (17,659)                               | 8,497                  |
| <u>Total Aging Cluster</u>                                                                           |                           |                                            | <u>109,767</u>                                       | <u>166,570</u>                                     | <u>(244,141)</u>                       | <u>145,752</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 -<br>via Division of Social Services               | 93.596                    | 364                                        | 64,749                                               | -                                                  | -                                      | -                      |
| Child Care and Development Fund -- Discretionary                                                     | 93.575                    | D*23, TB23                                 | 116,634                                              | -                                                  | -                                      | -                      |
| Child Care and Development Fund -- Mandatory                                                         | 93.596                    | M*23                                       | 24,523                                               | -                                                  | -                                      | -                      |
| Child Care and Development Fund -- Match                                                             | 93.596                    | V*23                                       | 26,187                                               | 12,710                                             | -                                      | -                      |
| <u>Total Child Care Development Fund Sub-Cluster</u>                                                 |                           |                                            | <u>232,093</u>                                       | <u>12,710</u>                                      | <u>-</u>                               | <u>-</u>               |
| <u>Temporary Assistance for Needy Families Cluster:</u>                                              |                           |                                            |                                                      |                                                    |                                        |                        |
| Temporary Assistance for Needy Families - Child Care                                                 | 93.558                    | T223                                       | 16,361                                               | -                                                  | -                                      | -                      |
| State and Local Appropriations                                                                       | -                         | 0023                                       | -                                                    | 3,713                                              | -                                      | -                      |
| TANF-MOE                                                                                             | -                         | T623                                       | -                                                    | 2,872                                              | -                                      | -                      |
| <u>Total Subsidized Child Care Cluster</u>                                                           |                           |                                            | <u>248,454</u>                                       | <u>19,295</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                    | -                                          | -                                                    | -                                                  | -                                      | -                      |
| <u>Division of Medical Assistance:</u>                                                               |                           |                                            |                                                      |                                                    |                                        |                        |
| <u>Medicaid Cluster:</u>                                                                             |                           |                                            |                                                      |                                                    |                                        |                        |
| Medicaid Assistance Program - direct benefit payments                                                | 93.778                    | -                                          | -                                                    | -                                                  | -                                      | -                      |
| <u>Division of Social Services:</u>                                                                  |                           |                                            |                                                      |                                                    |                                        |                        |
| Adult Care Home Case Mgmt/Spec                                                                       | 93.778                    | 211, 213, 396                              | 5,891                                                | 2,945                                              | -                                      | 2,945                  |
| Medical Assistance Services (MAC)                                                                    | 93.778                    | 477                                        | 221                                                  | -                                                  | -                                      | 221                    |
| Medical Assistance Administration                                                                    | 93.778                    | 412, 422, 441                              | 465,205                                              | -                                                  | -                                      | 155,068                |
| Medical Transportation Administration                                                                | 93.778                    | 375                                        | 38,198                                               | -                                                  | -                                      | 38,198                 |
| State-County Special Assistance                                                                      | 93.778                    | 128, 131, 151                              | 13,534                                               | -                                                  | -                                      | 4,511                  |
| <u>Total Medicaid Cluster</u>                                                                        |                           |                                            | <u>523,049</u>                                       | <u>2,945</u>                                       | <u>-</u>                               | <u>200,943</u>         |

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

| <b>Grantor/Pass-Through<br/>Grantor/Program Title</b>                                    | <b>Federal<br/>CFDA<br/>Number</b> | <b>State or<br/>Pass-Thru<br/>Grantor<br/>Number</b> | <b>Federal<br/>(Direct and<br/>Pass-Thru)<br/>Expenditures</b> | <b>State<br/>(Direct and<br/>Pass-Thru)<br/>Expenditures</b> | <b>Passed-<br/>through to<br/>Subrecipients</b> | <b>County<br/>Expenditures</b> |
|------------------------------------------------------------------------------------------|------------------------------------|------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------|--------------------------------|
| <b>Federal Awards: (continued from previous page)</b>                                    |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u>Centers for Medicare and Medicaid Services:</u>                                       |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u>Division of Public Health:</u>                                                        |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Public Health Emergency Preparedness                                                     | 93.074                             | 2680;2784                                            | 19,703                                                         | -                                                            | -                                               | -                              |
| Tuberculosis Control Programs                                                            | 93.116                             | 272[A/B/C/D/E]                                       | 31,266                                                         | -                                                            | -                                               | -                              |
| Immunization Program/ Aid to County Funding                                              | 93.268                             | 623C;625C;627E;631X                                  | 11,090                                                         | -                                                            | -                                               | -                              |
| PPHF: Preventive Health Services                                                         | 93.758                             | 5503                                                 | 36,174                                                         | -                                                            | -                                               | -                              |
| STD Control Programs                                                                     | 93.977                             | 462[A/B/C/D/E]                                       | 136                                                            | -                                                            | -                                               | -                              |
| Maternal and Child Health Services Block Grant                                           | 93.994                             | 5107;5318;5735,-40,-45                               | 118,578                                                        | 32,503                                                       | -                                               | -                              |
| <u>Total Division of Public Health</u>                                                   |                                    |                                                      | <u>216,947</u>                                                 | <u>32,503</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                                               | 125,408                                                        | -                                                            | -                                               | 124,959                        |
| IV-E Child Protective Services                                                           | 93.658                             | 072, 074                                             | 15,991                                                         | 10,914                                                       | -                                               | 5,077                          |
| IV-E Admin County Paid - direct benefit payments                                         | 93.658                             | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| IV-E Family Foster Max - direct benefit payments                                         | 93.658                             | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| IV-E Foster Care - direct benefit payments                                               | 93.658                             | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| IV-E Adoption Subsidy - direct benefit payments                                          | 93.659                             | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| IV-E Adoption Training                                                                   | 93.659                             | -                                                    | 486                                                            | -                                                            | -                                               | 418                            |
| Child Welfare Services Adoption Subsidy -<br>direct benefit payments                     | -                                  | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| State Child Welfare/CPS/Caseload                                                         | -                                  | -                                                    | -                                                              | 76,607                                                       | -                                               | -                              |
| Special Provision for Special Assistance (HB 1030)                                       | -                                  | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| State-County / Special Assistance Domiciliary<br>Care Payments - direct benefit payments | -                                  | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| State Foster Home and Families Maximization -<br>direct benefit payments                 | -                                  | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| Foster Care, Caseworker                                                                  | -                                  | 109                                                  | 20,155                                                         | -                                                            | -                                               | 25,185                         |
| <u>Total Foster Care and Adoption Assistance Cluster</u>                                 |                                    |                                                      | <u>162,040</u>                                                 | <u>87,521</u>                                                | <u>-</u>                                        | <u>155,639</u>                 |
| Family Preservation                                                                      | 93.556                             | -                                                    | 9,827                                                          | -                                                            | -                                               | -                              |
| <u>TANF Cluster:</u>                                                                     |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| TANF Payments and Penalties - direct<br>benefit payments                                 | 93.558                             | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| Special Children Adoption - direct benefit payments                                      | 93.558                             | -                                                    | -                                                              | -                                                            | -                                               | -                              |
| TANF Public Health Services                                                              | 93.558                             | 5151                                                 | 5,452                                                          | -                                                            | -                                               | -                              |
| Work First Services                                                                      | 93.558                             | 047, '049                                            | 151,315                                                        | -                                                            | -                                               | 190,645                        |
| Work First Administration                                                                | 93.558                             | 046, '048                                            | 27,563                                                         | -                                                            | -                                               | 62,678                         |
| <u>Total TANF Cluster</u>                                                                |                                    |                                                      | <u>184,330</u>                                                 | <u>-</u>                                                     | <u>-</u>                                        | <u>253,323</u>                 |
| AFDC Incentives / Program Integrity                                                      | -                                  | 267                                                  | -                                                              | 1,313                                                        | -                                               | -                              |
| IV-D Offset Fees Federal                                                                 | 93.563                             | -                                                    | 1,321                                                          | -                                                            | -                                               | 680                            |
| IV-D Offset Fees ESC                                                                     | 93.563                             | -                                                    | 19                                                             | (1)                                                          | -                                               | 11                             |
| IV-D Admin-Government Service Contract                                                   | 93.563                             | 423, 449                                             | 290,224                                                        | -                                                            | -                                               | 149,508                        |
| Low-Income Home Energy Assistance Program                                                | 93.568                             | 372                                                  | 111,567                                                        | -                                                            | -                                               | -                              |
| LIHEAP Administration                                                                    | 93.568                             | -                                                    | 18,431                                                         | -                                                            | -                                               | -                              |
| Crisis Intervention Planning Services                                                    | 93.568                             | 372                                                  | 111,165                                                        | -                                                            | -                                               | -                              |
| Energy Assistance - private grants                                                       | -                                  | -                                                    | -                                                              | 2,927                                                        | -                                               | -                              |
| Permanency Planning - Services and Administration                                        | 93.645                             | 368, 464, 465                                        | 1,529                                                          | -                                                            | -                                               | 509                            |
| Social Services Block Grant                                                              | 93.667                             | 10, 394, 395, 607, 608                               | 104,519                                                        | -                                                            | -                                               | 34,840                         |
| LINKS                                                                                    | 93.674                             | 290, 291                                             | 602                                                            | 151                                                          | -                                               | -                              |
| N. C. Health Choice                                                                      | 93.767                             | 440, 441, 483, 10126                                 | 5,216                                                          | 1                                                            | -                                               | -                              |
| <u>Office of Population Affairs:</u>                                                     |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Family Planning                                                                          | 93.217                             | 592[A/B/C/D/E]                                       | 25,260                                                         | -                                                            | -                                               | -                              |
| <u>Total U.S. Department of Health and Human Services</u>                                |                                    |                                                      | <u>2,124,267</u>                                               | <u>313,225</u>                                               | <u>(244,141)</u>                                | <u>941,205</u>                 |

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

| <b>Grantor/Pass-Through<br/>Grantor/Program Title</b>         | <b>Federal<br/>CFDA<br/>Number</b> | <b>State or<br/>Pass-Thru<br/>Grantor<br/>Number</b> | <b>Federal<br/>(Direct and<br/>Pass-Thru)<br/>Expenditures</b> | <b>State<br/>(Direct and<br/>Pass-Thru)<br/>Expenditures</b> | <b>Passed-<br/>through to<br/>Subrecipients</b> | <b>County<br/>Expenditures</b> |
|---------------------------------------------------------------|------------------------------------|------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------|--------------------------------|
| <b>Federal Awards: (continued from previous page)</b>         |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <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                                            | 41,300                                                         | -                                                            | -                                               | -                              |
| Urgent Repair Program                                         |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u>Total U.S. Department of Housing and Urban Development</u> |                                    |                                                      | 41,300                                                         | -                                                            | -                                               | -                              |
| <u>U.S. Department of Justice</u>                             |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u>Direct Program:</u>                                        |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Bulletproof Vests                                             | 16.607                             | -                                                    | 1,414                                                          | -                                                            | -                                               | -                              |
| <u>Total U.S. Department of Justice</u>                       |                                    |                                                      | 1,414                                                          | -                                                            | -                                               | -                              |
| <u>U.S. Department of Transportation</u>                      |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u>Passed-Through N.C. Department of Public Safety:</u>       |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| HMEP Hazardous Material Training                              | 20.703                             | -                                                    | 7,000                                                          | -                                                            | -                                               | -                              |
| <u>Total U.S. Department of Transportation</u>                |                                    |                                                      | 7,000                                                          | -                                                            | -                                               | -                              |
| <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                             | -                                                    | 38,642                                                         | -                                                            | -                                               | -                              |
| <u>Total U.S. Federal Emergency Management Agency</u>         |                                    |                                                      | 38,642                                                         | -                                                            | -                                               | -                              |
| <u>Total Federal Awards</u>                                   |                                    |                                                      | 2,759,546                                                      | 313,225                                                      | (303,990)                                       | 1,231,917                      |
| <b>State Awards:</b>                                          |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u>N.C. Department of Administration</u>                      |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Veteran Services                                              |                                    | -                                                    | -                                                              | 2,000                                                        | -                                               | 26,901                         |
| <u>N.C. Department of Commerce</u>                            |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Building Reuse Grant/Infrastructure Program                   |                                    | -                                                    | -                                                              | -                                                            | -                                               | 8,500                          |
| <u>Total N.C. Dept of Commerce</u>                            |                                    |                                                      | -                                                              | -                                                            | -                                               | 8,500                          |
| <u>N.C. Department of Environmental Quality</u>               |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Infrastructure Grant-Asset Inventory * Assessment             |                                    | H-AIA-D-16-0019                                      | -                                                              | 142,500                                                      | -                                               | 61,139                         |
| Recycling Grant                                               |                                    | -                                                    | -                                                              | 1,861                                                        | -                                               | 8,602                          |
| Funds for Soil and Water Conservation District                |                                    | -                                                    | -                                                              | 20,875                                                       | -                                               | 58,457                         |
| Scrap Tire Disposal                                           |                                    | -                                                    | -                                                              | 37,088                                                       | -                                               | 171,408                        |
| Solid Waste Disposal Tax Share                                |                                    | -                                                    | -                                                              | 16,571                                                       | -                                               | 76,586                         |
| <u>Total N.C. Department of Environmental Quality</u>         |                                    |                                                      | -                                                              | 218,896                                                      | -                                               | 376,192                        |

continued on next page

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**County of Montgomery, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2018**  
**III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS**  
**E. Schedule of Expenditures of Federal and State Awards**

| <b>Grantor/Pass-Through<br/>Grantor/Program Title</b>      | <b>Federal<br/>CFDA<br/>Number</b> | <b>State or<br/>Pass-Thru<br/>Grantor<br/>Number</b> | <b>Federal<br/>(Direct and<br/>Pass-Thru)<br/>Expenditures</b> | <b>State<br/>(Direct and<br/>Pass-Thru)<br/>Expenditures</b> | <b>Passed-<br/>through to<br/>Subrecipients</b> | <b>County<br/>Expenditures</b> |
|------------------------------------------------------------|------------------------------------|------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------|-------------------------------------------------|--------------------------------|
| <b>State Awards: (continued from previous page)</b>        |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u><b>N.C. Department of Health and Human Services</b></u> |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u>Division of Public Health:</u>                          |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Food and Lodging Fees                                      |                                    | 1153-4752-SZ62                                       | -                                                              | 6,111                                                        | -                                               | -                              |
| General Aid to Counties                                    |                                    | 1161-4110-0062                                       | -                                                              | 80,592                                                       | -                                               | -                              |
| Communicable Disease Control                               |                                    | 1175-4510-0062                                       | -                                                              | 11,139                                                       | -                                               | -                              |
| Risk Reduction/Health Promotion                            |                                    | 1261-5503-0062                                       | -                                                              | 3,810                                                        | -                                               | -                              |
| Child Health                                               |                                    | 1271-5745-0062                                       | -                                                              | 6,263                                                        | -                                               | -                              |
| Maternal Care                                              |                                    | 13A1-5107-0062                                       | -                                                              | 6,646                                                        | -                                               | -                              |
| Family Planning (HMHC)                                     |                                    | 13A1-5735-0062                                       | -                                                              | 2,351                                                        | -                                               | -                              |
| Maternal Health (HMHC)                                     |                                    | 13A1-5740-0062                                       | -                                                              | 24,832                                                       | -                                               | -                              |
| Women's Health Service Fund                                |                                    | 13A1-6015-FR62                                       | -                                                              | 6,251                                                        | -                                               | -                              |
| HIV/STD State                                              |                                    | 1311-4536-BN62                                       | -                                                              | 400                                                          | -                                               | -                              |
| HIV/STD SSBG Aid                                           |                                    | 1311-4536-RQ62                                       | -                                                              | 100                                                          | -                                               | -                              |
| Sexually Transmitted Diseases                              |                                    | 1311-4601-BN62                                       | -                                                              | 394                                                          | -                                               | -                              |
| 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>Office of Rural Health</u>                              |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Community Health-Primary Care Access Program               |                                    | -                                                    | -                                                              | 11,200                                                       | -                                               | -                              |
| <b>Total N. C. Department of Health and Human Services</b> |                                    |                                                      | -                                                              | <b>266,418</b>                                               | -                                               | -                              |
| <u><b>N.C. Department of Insurance</b></u>                 |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Rescue Grant                                               |                                    | -                                                    | -                                                              | 12,446                                                       | -                                               | 26,065                         |
| <u><b>N.C. Department of Public Instruction</b></u>        |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Public School Building Capital Fund - Lottery Proceeds     |                                    | -                                                    | -                                                              | 250,000                                                      | -                                               | 949,600                        |
| <u><b>N.C. Department of Public Safety</b></u>             |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Juvenile Crime Prevention Council                          |                                    | -                                                    | -                                                              | 99,763                                                       | (99,763)                                        | -                              |
| <u><b>N.C. Department of Transportation</b></u>            |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| <u>Rural Operating Assistance Program Cluster:</u>         |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Elderly and Disabled Transportation Assistance Program     |                                    | -                                                    | -                                                              | 57,675                                                       | (57,675)                                        | 5,000                          |
| Rural General Public Program                               |                                    | -                                                    | -                                                              | 62,500                                                       | (62,500)                                        | 5,000                          |
| Employment Transportation Assistance Program               |                                    | -                                                    | -                                                              | 8,183                                                        | (8,183)                                         | -                              |
| <b>Total Rural Operating Assistance Program Cluster:</b>   |                                    |                                                      | -                                                              | <b>128,358</b>                                               | <b>(128,358)</b>                                | <b>10,000</b>                  |
| <u><b>N.C. Office of State Controller</b></u>              |                                    |                                                      |                                                                |                                                              |                                                 |                                |
| Controlled Substances Tax                                  |                                    | -                                                    | -                                                              | 17,025                                                       | -                                               | -                              |
| <b>Total State Awards</b>                                  |                                    |                                                      | -                                                              | <b>994,905</b>                                               | <b>(228,121)</b>                                | <b>1,423,321</b>               |
| <b>Total Federal and State Awards</b>                      |                                    |                                                      | <b>\$ 2,759,546</b>                                            | <b>\$ 1,308,130</b>                                          | <b>\$ (532,111)</b>                             | <b>\$ 2,655,238</b>            |

Note: The dollar threshold used to distinguish major federal programs was **\$750,000**.

# County of Montgomery, North Carolina

## Annual Financial and Compliance Report

For the Year Ended June 30, 2018

### 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, 2018. 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. Subrecipients

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

| Program Title / Subrecipient                     | Federal<br>CFDA<br>Number | State or<br>Pass-Thru<br>Grantor<br>Number | Federal<br>(Direct and<br>Pass-Thru)<br>Expenditures | State<br>(Direct and<br>Pass-Thru)<br>Expenditures | County<br>Expenditures |
|--------------------------------------------------|---------------------------|--------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------|
| Emergency Food Program (Commodities)             |                           |                                            |                                                      |                                                    |                        |
| Troy Lions Club                                  | 10.569                    | -                                          | \$ -                                                 | \$ -                                               | \$ -                   |
| Home & Community Care Block Grant                |                           |                                            |                                                      |                                                    |                        |
| Montgomery County Council on Aging               |                           | -                                          | \$ 106,410                                           | \$ 123,813                                         | \$ 110,752             |
| Town of Troy (for Troy-Montgomery Senior Center) |                           | -                                          | 3,357                                                | 42,757                                             | 35,000                 |
| Juvenile Crime Prevention Council                |                           |                                            |                                                      |                                                    |                        |
| Montgomery County Schools                        |                           | -                                          | \$ -                                                 | \$ 99,288                                          | \$ -                   |
| Total Juvenile Crime Prevention Council          |                           |                                            | \$ -                                                 | \$ 99,288                                          | \$ -                   |
| Public School Building Bond Fund                 |                           |                                            |                                                      |                                                    |                        |
| Montgomery County Schools                        |                           |                                            | \$ -                                                 | \$ -                                               | \$ -                   |
|                                                  |                           |                                            | -                                                    | -                                                  | -                      |
|                                                  |                           |                                            | -                                                    | -                                                  | -                      |
| Total Public School Building Bond Fund           |                           |                                            | \$ -                                                 | \$ -                                               | \$ -                   |
| Rural Operating Assistance Program               |                           |                                            |                                                      |                                                    |                        |
| Randolph County Area Transit System              |                           | -                                          | \$ -                                                 | \$ 128,358                                         | \$ 10,000              |

# County of Montgomery, North Carolina

## Annual Financial and Compliance Report

For the Year Ended June 30, 2018

### 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

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

| Program Title                                                                        | Federal<br>CFDA<br>Number | State or<br>Pass-Thru<br>Grantor<br>Number | Federal<br>(Direct and<br>Pass-Thru)<br>Expenditures | State<br>(Direct and<br>Pass-Thru)<br>Expenditures | County<br>Expenditures |
|--------------------------------------------------------------------------------------|---------------------------|--------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------|
| <u>U.S. Department of Health and Human Services</u>                                  |                           |                                            |                                                      |                                                    |                        |
| <u>Passed-Through the N.C. Department of Health and Human Services:</u>              |                           |                                            |                                                      |                                                    |                        |
| <u>Divisions of Aging and Social Services (thru Piedmont Triad Regional Council)</u> |                           |                                            |                                                      |                                                    |                        |
| Special Programs for the Aging - In Home Services                                    | 93.044                    | -                                          | \$ 11,119                                            | \$ 4,979                                           | \$ 7,746               |
| III-B Grants for Supportive Services                                                 | 93.044                    | -                                          | 8,648                                                | 110,144                                            | 69,949                 |
| Congregate Nutrition                                                                 | 93.045                    | -                                          | 19,774                                               | 1,164                                              | 10,074                 |
| Home Delivered Nutrition                                                             | 93.045                    | -                                          | 52,567                                               | 50,283                                             | 49,486                 |
| NSIP Supplement                                                                      | 93.053                    | -                                          | 17,659                                               | -                                                  | 8,497                  |
| Social Services Block Grant                                                          | 93.667                    | 022, 030                                   | -                                                    | -                                                  | -                      |
| <u>U.S. Department of Housing and Urban Development</u>                              |                           |                                            |                                                      |                                                    |                        |
| <u>Passed-Through N.C. Department of Commerce,</u>                                   |                           |                                            |                                                      |                                                    |                        |
| <u>thru Piedmont Triad Regional Council</u>                                          |                           |                                            |                                                      |                                                    |                        |
| Community Development Block Grant-<br>Economic Development                           | 14.228                    | 09-E-2081                                  | -                                                    | -                                                  | -                      |
| Community Development Block Grant-<br>Section 108 Loan Guarantee                     | 14.248                    | 10-L-2161                                  | -                                                    | -                                                  | -                      |
| Community Development Block Grant-Housing<br>Rehabilitation                          | 14.228                    | 10-C-2167                                  | -                                                    | -                                                  | -                      |
| Community Development Block Grant-<br>Economic Development                           | 14.228                    | 11-C-2334                                  | -                                                    | -                                                  | -                      |
| Total pass-thru grants awards from PTRC                                              |                           |                                            | <u>\$ 109,767</u>                                    | <u>\$ 166,570</u>                                  | <u>\$ 145,752</u>      |