

**COUNTY OF MONTGOMERY, NORTH CAROLINA
SUCCINCT ANNUAL FINANCIAL EXPRESSION (SAFE) REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

With Comparative Totals For the Years Ended June 30, 2017 and June 30, 2016

FOREWORD

In today's busy world, we face a relentless influx of facts, figures, statistics, and other data. Sorting through this information, deciding what is important, and putting that information to good use can prove to be a difficult task. To provide you with easily accessible and clear financial information, we are pleased to present the County's Succinct Annual Financial Expression (SAFE) Report for the fiscal year July 1, 2017 through June 30, 2018.

Purpose - Simple

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

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

Purpose - Easy to Understand

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

Purpose - Supplement

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

Finance Office Mission

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

More Financial Information

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

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FOR THE YEAR ENDED JUNE 30, 2018**

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EXPLANATIONS

Fund

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

Ending Reserves

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

Dual Statement Presentation

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

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

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

General Fund

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

**COUNTY OF MONTGOMERY, NORTH CAROLINA
 SUCCINCT ANNUAL FINANCIAL EXPRESSION (SAFE) REPORT
 FOR THE YEAR ENDED JUNE 30, 2018**

With Comparative Totals For the Years Ended June 30, 2017 and June 30, 2016

GENERAL FUND

<u>SUMMARIZED ANNUAL ACTIVITY</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES (BY CATEGORY)			
Property Taxes	19,371,322	19,151,907	18,678,200
Sales & Other Taxes	5,175,445	4,883,419	4,042,105
Intergovernmental	4,654,225	6,121,937	6,050,526
Licenses, Fees, and Permits	2,844,958	3,221,877	3,483,530
Sales and Services	601,704	540,162	605,519
Investment Income	345,402	157,987	50,036
Transfers In	82,800	0	197,972
Miscellaneous	272,664	273,464	81,232
Total Revenues (1)	33,348,520	34,350,753	33,189,120
EXPENDITURES (BY FUNCTION)			
General Government	3,538,162	3,705,043	3,836,693
Transportation	152,685	162,385	141,941
Public Safety	6,235,746	5,781,307	6,167,905
Human Services	6,405,436	7,425,222	7,398,275
Environmental Protection	938,393	948,794	540,765
Education Funding	6,056,850	5,912,115	5,911,884
Economic and Physical Development	348,875	505,327	555,943
Cultural and Recreational	372,021	339,137	433,755
Loan Costs	2,398,403	2,470,634	2,506,743
Transfers Out	7,470,004	2,335,897	7,070,938
Total Expenditures (2)	33,916,575	29,585,861	34,564,842
NET CHANGE = (1) - (2)	(568,055)	4,764,892	(1,375,722)
BEGINNING RESERVES	17,287,268	12,522,376	13,898,098
ENDING RESERVES	16,719,213	17,287,268	12,522,376

<u>SUMMARIZED YEAR-END BALANCES</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
A. CASH AND INVESTMENTS	14,743,742	15,876,200	11,398,348
B. OTHER ASSETS	4,554,741	3,487,614	3,007,330
C. UNPAID BILLS	1,016,465	946,977	904,519
D. OTHER LIABILITIES	1,562,805	1,129,569	978,783
E. ENDING RESERVES (A)+(B)-(C)-(D)	16,719,213	17,287,268	12,522,376
<i>Ending Reserves as a % of Expenditures</i>	<i>49.3%</i>	<i>58.4%</i>	<i>36.2%</i>

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

**COUNTY OF MONTGOMERY, NORTH CAROLINA
 SUCCINCT ANNUAL FINANCIAL EXPRESSION (SAFE) REPORT
 FOR THE YEAR ENDED JUNE 30, 2018**

With Comparative Totals For the Years Ended June 30, 2017 and June 30, 2016

EDUCATION PROJECTS FUND

<u>SUMMARIZED ANNUAL ACTIVITY</u>	<u>. 2018 .</u>	<u>. 2017 .</u>	<u>. 2016 .</u>
REVENUES (BY CATEGORY)			
Investment Income	247,397	0	4
Loan Proceeds	69,127,742	0	0
Transfers In	6,835,522	1,749,495	6,820,789
Miscellaneous	0	41,897	0
Total Revenues (1)	76,210,661	1,791,392	6,820,793
EXPENDITURES (BY PROJECT)			
Montgomery Central High School	10,772,259	1,989,514	124,550
MCS Existing Building Repairs	1,184,234	420,987	34,375
MCS Existing Building Repairs-QSCB	0	0	81,832
MCC Existing Building Repairs	120,639	60,750	341,269
Loan Costs	287,362	0	0
Total Expenditures (2)	12,364,494	2,471,251	582,026
NET CHANGE = (1) - (2)	63,846,167	(679,859)	6,238,767
BEGINNING RESERVES	6,461,302	7,141,161	902,394
ENDING RESERVES	70,307,469	6,461,302	7,141,161

<u>SUMMARIZED YEAR-END BALANCES</u>	<u>. 2018 .</u>	<u>. 2017 .</u>	<u>. 2016 .</u>
A. CASH AND INVESTMENTS	73,853,489	6,695,107	7,049,133
B. OTHER ASSETS	222,323	119,671	112,028
C. UNPAID BILLS	3,768,343	353,476	20,000
D. OTHER LIABILITIES	0	0	0
E. ENDING RESERVES (A)+(B)-(C)-(D)	70,307,469	6,461,302	7,141,161
<i>Ending Reserves as a % of Expenditures</i>	<i>568.6%</i>	<i>261.5%</i>	<i>1226.9%</i>

Education Projects Fund

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

**COUNTY OF MONTGOMERY, NORTH CAROLINA
 SUCCINCT ANNUAL FINANCIAL EXPRESSION (SAFE) REPORT
 FOR THE YEAR ENDED JUNE 30, 2018**

With Comparative Totals For the Years Ended June 30, 2017 and June 30, 2016

PUBLIC UTILITIES FUND

<u>SUMMARIZED ANNUAL ACTIVITY</u>	<u>. 2018 .</u>	<u>. 2017 .</u>	<u>. 2016 .</u>
REVENUES (BY CATEGORY)			
Intergovernmental	142,500	0	0
Licenses, Fees, and Permits	59,788	59,788	58,341
Sales and Services	4,129,748	4,441,442	4,426,554
Investment Income	55,588	14,529	1,989
Loan Proceeds	0	0	(92,076)
Miscellaneous	3,793	9,111	997
Total Revenues (1)	4,391,417	4,524,870	4,395,805
EXPENDITURES (BY CATEGORY)			
Salaries and Employee Benefits	785,067	744,186	798,631
Various Professional Services	301,475	132,025	28,348
Supplies, Materials, Other Goods	255,991	206,030	350,206
Utilities	276,137	264,470	304,553
Repairs and Maintenance	256,217	174,379	232,073
Contracted Services	122,751	116,426	152,559
Sewer Processing Charges	71,239	51,566	62,890
Capital Outlays, Furniture, Tools, etc.	646,402	479,413	495,594
Loan Costs	1,102,881	1,105,233	1,122,635
Various Other Costs	98,949	116,716	104,154
Total Expenditures (2)	3,917,109	3,390,444	3,651,643
NET CHANGE = (1) - (2)	474,308	1,134,426	744,162
BEGINNING RESERVES	5,687,796	4,553,370	3,809,208
ENDING RESERVES	6,162,104	5,687,796	4,553,370

<u>SUMMARIZED YEAR-END BALANCES</u>	<u>. 2018 .</u>	<u>. 2017 .</u>	<u>. 2016 .</u>
A. CASH AND INVESTMENTS	5,495,463	4,975,346	4,267,118
B. OTHER ASSETS	1,066,717	996,417	758,324
C. UNPAID BILLS	400,076	283,967	189,728
D. OTHER LIABILITIES	0	0	282,344
E. ENDING RESERVES (A)+(B)-(C)-(D)	6,162,104	5,687,796	4,553,370
<i>Ending Reserves as a % of Expenditures</i>	<i>157.3%</i>	<i>167.8%</i>	<i>124.7%</i>

Public Utilities Fund

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

**COUNTY OF MONTGOMERY, NORTH CAROLINA
 SUCCINCT ANNUAL FINANCIAL EXPRESSION (SAFE) REPORT
 FOR THE YEAR ENDED JUNE 30, 2018**

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REMAINING FUNDS

<u>SUMMARIZED ANNUAL ACTIVITY</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES (BY CATEGORY)			
Property Taxes	624,717	618,465	608,548
Sales & Other Taxes	43,532	38,629	36,212
Intergovernmental	276,307	439,859	476,997
Investment Income	133	1,207	246
Loan Proceeds	0	409,379	0
Transfers In	634,482	586,402	250,149
Miscellaneous	37,342	46,214	92,573
Total Revenues (1)	1,616,513	2,140,155	1,464,725
EXPENDITURES (BY FUNCTION)			
Transportation	6,756	78,451	216,280
Public Safety	748,189	1,266,547	723,845
Human Services	48,914	10,232	58,937
Economic and Physical Development	98,166	10,325	29,143
Loan Costs	94,556	0	10
Transfers Out	82,800	0	197,972
Total Expenditures (2)	1,079,381	1,365,555	1,226,187
NET CHANGE = (1) - (2)	537,132	774,600	238,538
BEGINNING RESERVES	2,433,803	1,659,203	1,420,665
ENDING RESERVES	2,970,935	2,433,803	1,659,203

<u>SUMMARIZED YEAR-END BALANCES</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
A. CASH AND INVESTMENTS	4,302,802	3,054,231	1,265,282
B. OTHER ASSETS	66,642	159,320	604,997
C. UNPAID BILLS	9,401	37,629	6,354
D. OTHER LIABILITIES	1,389,108	742,119	204,722
E. ENDING RESERVES (A)+(B)-(C)-(D)	2,970,935	2,433,803	1,659,203
<i>Ending Reserves as a % of Expenditures</i>	<i>275.2%</i>	<i>178.2%</i>	<i>135.3%</i>

Remaining Funds

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

COUNTY OF MONTGOMERY, NORTH CAROLINA
 SUCCINCT ANNUAL FINANCIAL EXPRESSION (SAFE) REPORT
 FOR THE YEAR ENDED JUNE 30, 2018

With Comparative Totals For the Years Ended June 30, 2017 and June 30, 2016

"ALL FUNDS COMBINED PERSPECTIVE"

SUMMARIZED ANNUAL ACTIVITY	. 2018 .	. 2017 .	. 2016 .
REVENUES (BY CATEGORY)			
Property Taxes	19,996,039	19,770,372	19,286,748
Sales & Other Taxes	5,218,977	4,922,048	4,078,317
Intergovernmental	5,073,032	6,561,796	6,527,523
Licenses, Fees, and Permits	2,904,746	3,281,665	3,541,871
Sales and Services	4,731,452	4,981,604	5,032,073
Investment Income	648,520	173,723	52,275
Loan Proceeds	69,127,742	409,379	(92,076)
Transfers In	7,552,804	2,335,897	7,268,910
Miscellaneous	313,799	370,686	174,802
Total Revenues (1)	115,567,111	42,807,170	45,870,443
EXPENDITURES (BY FUNCTION)			
General Government	3,538,162	3,705,043	3,836,693
Transportation	159,441	240,836	358,221
Public Safety	6,983,935	7,047,854	6,891,750
Human Services	6,454,350	7,435,454	7,457,212
Environmental Protection	3,752,621	3,234,005	3,069,773
Education Funding	18,133,982	8,383,366	6,493,910
Economic and Physical Development	447,041	515,652	585,086
Cultural and Recreational	372,021	339,137	433,755
Loan Costs	3,883,202	3,575,867	3,629,388
Transfers Out	7,552,804	2,335,897	7,268,910
Total Expenditures (2)	51,277,559	36,813,111	40,024,698
NET CHANGE = (1) - (2)	64,289,552	5,994,059	5,845,745
BEGINNING RESERVES	31,870,169	25,876,110	20,030,365
ENDING RESERVES	96,159,721	31,870,169	25,876,110

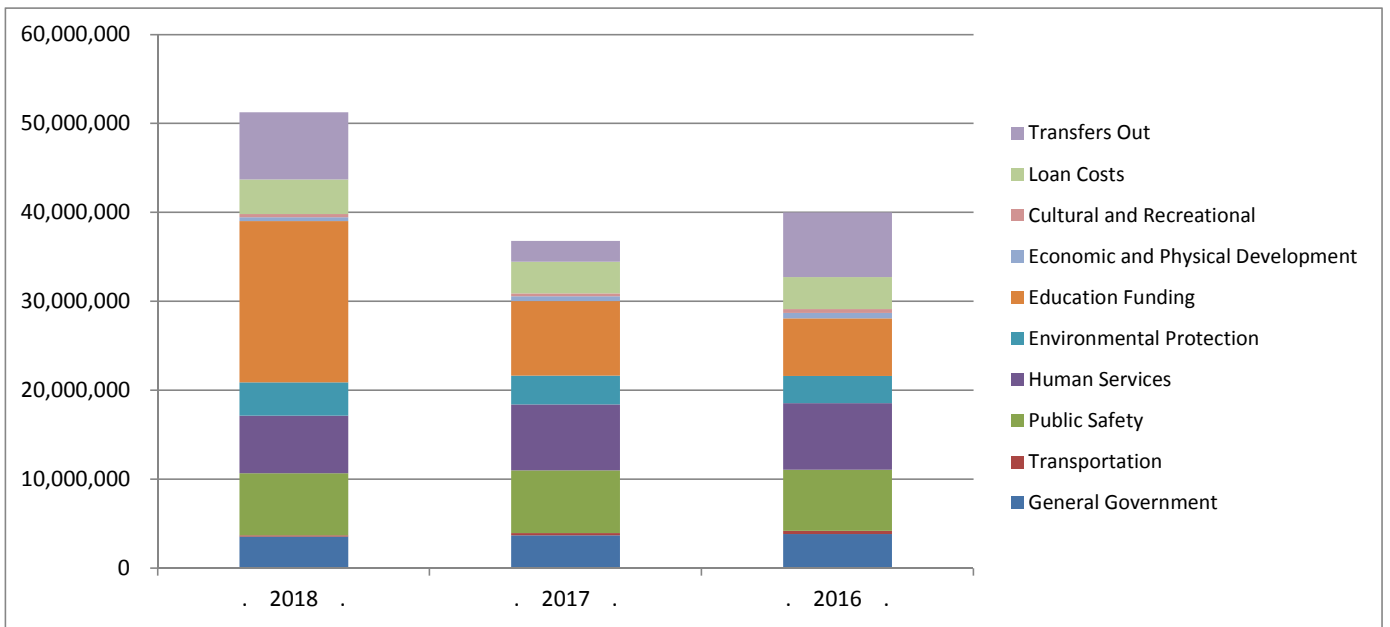
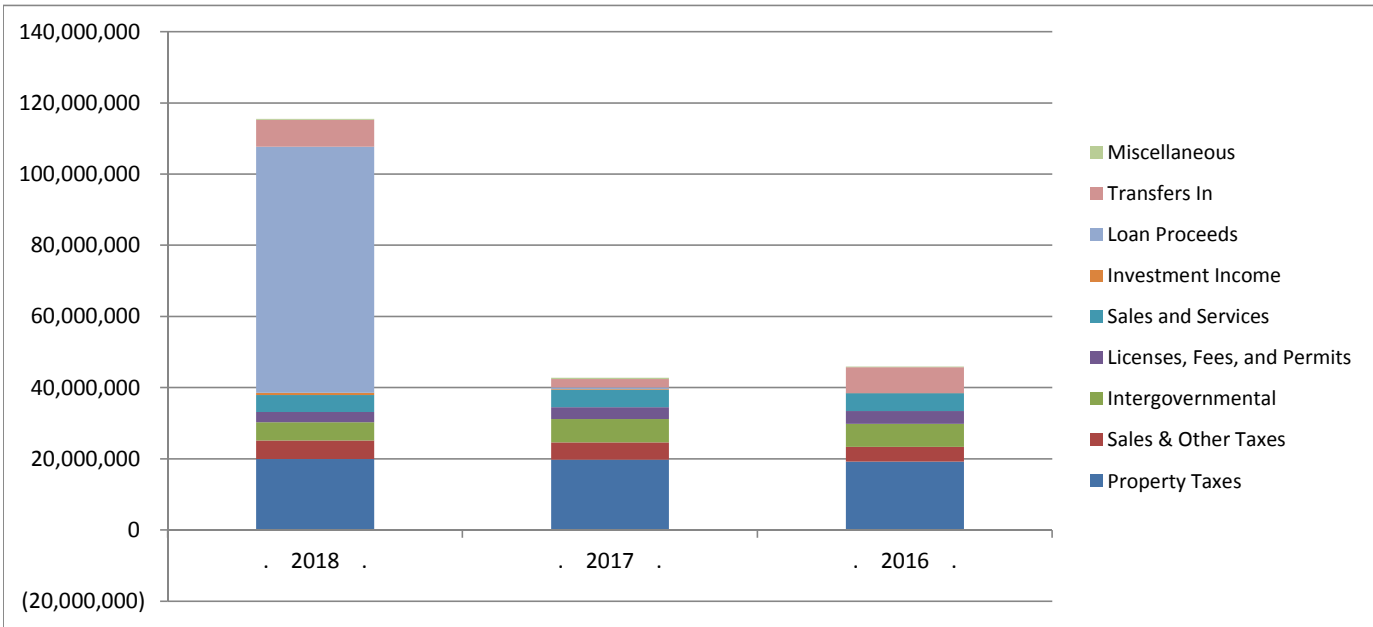
SUMMARIZED YEAR-END BALANCES	. 2018 .	. 2017 .	. 2016 .
A. CASH AND INVESTMENTS	98,395,496	30,600,884	23,979,881
B. OTHER ASSETS	5,910,423	4,763,022	4,482,679
C. UNPAID BILLS	5,194,285	1,622,049	1,120,601
D. OTHER LIABILITIES	2,951,913	1,871,688	1,465,849
E. ENDING RESERVES (A)+(B)-(C)-(D)	96,159,721	31,870,169	25,876,110
<i>Ending Reserves as a % of Expenditures</i>	<i>187.5%</i>	<i>86.6%</i>	<i>64.7%</i>

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

**COUNTY OF MONTGOMERY, NORTH CAROLINA
 SUCCINCT ANNUAL FINANCIAL EXPRESSION (SAFE) REPORT
 FOR THE YEAR ENDED JUNE 30, 2018**

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"ALL FUNDS COMBINED PERSPECTIVE" -- CHARTS



"All Funds Combined Perspective"

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