

COUNTY OF MONTGOMERY NORTH CAROLINA



MONTGOMERY COUNTY: A GOLDEN OPPORTUNITY

*ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2019*

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

COUNTY OF MONTGOMERY NORTH CAROLINA



ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2019

This report was compiled by the County Finance Director, in cooperation with the County Manager and staff of many departments, primarily Property Tax Administration, Public Utilities, Social Services, Health, Sheriff's Office (and Jail), Central Permitting, and Administration. Thomas, Judy, & Tucker, P.A. printed this report.

County of Montgomery, North Carolina
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County Manager's Budget Message:

FY2019-2020

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.

Mission:

The Board of Commissioners has challenged the County with a mission of revitalization, development, and growth. The framework for that prosperity is focused on three complementary pillars: improvements in education, infrastructure, and transportation. Improvements in those areas will enhance the lives of current residents and support existing businesses. They will also aid the effort to capitalize on the most promising short term prospect for new growth in our County: residential development. While the long range goal is for business development and job creation to happen here, within the borders of the County, the first steps toward that loftier goal is to make Montgomery County attractive as a residential bedroom community for one of the fastest growing metropolitan areas in the country.

Looking westward, the 485 outer loop for Charlotte is 36 miles from Montgomery County and the population around the Country's 23rd largest metropolitan area continues to expand at a rapid rate. The Charlotte metro area has grown 16 percent in the last eight years. The growth is certainly heading our way! Indicative of that movement, Stanly County's population has grown 3 percent in the last two years. Our County Commissioners are working to accelerate the pace of the eastward growth progression by supporting improvements in education, infrastructure, and transportation within the County.

Montgomery County currently has a relatively restricted labor pool, and workforce is the single most important factor for businesses looking to relocate or expand. With a current population of approximately 27,000 residents and a workforce currently around 10,000, the likelihood of attracting new businesses to the County is relatively slim. Given these limitations, the County's job is to try and build a better, more populous and more qualified, workforce. Once

established, businesses will certainly look to our County as a place to expand or relocate in order to capture that workforce.

To get the workforce numbers desired, the County must capitalize on its proximity to the Charlotte metro area. Rising home costs, increased further by impact fees, and the limited availability of product has pushed the Charlotte commuter population outward. Montgomery County must make itself attractive to this workforce population. In order to do so, the Board of Commissioners has prioritized the three factors which promote residential growth and capture the interest of commuter buyers: education, transportation, and infrastructure.

Education:

Over thirty percent of the County budget is expended on education. Montgomery County schools and Montgomery Community College have partnered well on the most ambitious project in the history of the County. The upcoming fiscal year will see the completion of the new central high school and the innovative grades 9-14 Career and Technical Education facility. The central campus concept is aimed at streamlining education, maximizing existing College facilities, and creating educational pathways for all students to succeed. In particular, the campus and the collaboration is aimed at allowing students to receive state-of-the-art and industry standard training, so our best and brightest students will compete on-par with the strongest school systems in the State.

The cost of the project is \$78 million and remains within budget. In addition, due to prioritization of capital projects and sound fiscal management, the County's loan amount for the new facilities will be considerably less than the construction costs, at approximately \$68 million. The revenue streams are secure to handle the new debt service beginning in fiscal year 2021. Expectations are high for our educators to use the new facilities to challenge student potential and prepare them for the workforce or higher education opportunities.

In addition to the new high school/college facilities, the County has increased funding over the last seven years to maintain our other school properties. Approximately \$4.3 million additional dollars have been made available to Montgomery County Schools and Montgomery Community College since 2012 to repair and renovate buildings. This was accomplished by dedicating the proceeds of 1 cent of the County's ad valorem tax to that purpose, as well as the entirety of the Article 46 sales tax collections.

Transportation:

Coinciding with the completion of the new central education campus, the 4-lane bypass which will be utilized to access the facilities will be completed and opened during the upcoming fiscal year. This initiative was championed by the Board of Commissioners and triggered the larger transportation project of a new 4-lane superstreet from Troy to Albemarle. Progress on this connectivity corridor with the Charlotte metro area has already generated interest with residential developers, and County staff from Planning/Zoning and Public Utilities are working with engineers and County officials to address the utility and permitting needs to harmoniously accommodate growth and development.

Infrastructure:

In addition to the water and sewer infrastructure that is needed for residential development, the County has, for many years, championed the broadband initiative on a state level in order to bring high quality, high speed broadband access to the County. Broadband access is critical for business and residential development. County officials have repeatedly discussed improvements with existing internet providers, but the economics of their business models restrict investment in small, widely dispersed markets like Montgomery County. As this is a common problem state-wide for rural counties, the focus of our efforts has been at a state-level. Fortunately, the Governor and the Secretary of Commerce have both prioritized this initiative, and the expectation is for changes to the communications delivery model to entice providers to make the necessary infrastructure improvements.

FY2020 Budget Highlights:

The upcoming fiscal year budget continues a strong commitment to the priorities laid out by the Board of Commissioners. The County will fund supplements for public school teachers and will also provide the funds to cover the upfront personnel costs associated with hiring of College employees needed to provide instruction in the new Career and Technical Education campus. In total, the additional expenses for education for the upcoming year will be approximately \$450,000.

The County will also continue its investment in County facilities, economic development projects, and community improvement projects. The budget includes approximately \$280,000 for the construction of a central food pantry and \$450,000 allocation for facility and development improvement projects.

The allocation for fire protection services has also increased for the upcoming year. Montgomery County is fortunate to have a cadre of dedicated individuals who serve as volunteers in our ten fire department districts. Volunteers responded to over 1700 calls last year, including 354 first responder calls, 184 mutual aid support calls, and 88 residential fire calls. The County has funded nine new fire trucks over as many years. The allocation for the upcoming year is \$650,000. These funds will be used for the purchase of trucks and equipment.

County employees will receive a cost of living pay increase equivalent to \$1000 or 2%. Montgomery County government salaries are among the lowest in the State, but the Board of Commissioners has steadily worked in an effort to close the gap to retain and recruit qualified employees. Additional adjustments have been made for social worker positions, continuing a multi-year plan to fill critical positions in adult and child welfare protection services. Overtime compensation is allocated for positions in the 911 center, detention center, and for water plant operators. These positions require state-level certified employees in departments mandated for around-the-clock staffing. The County wishes to fully compensate employees who volunteer for shifts above and beyond working their regularly scheduled hours. No additional staff positions are being requested in this year's budget.

Economic Outlook:

Montgomery County is experiencing moderate growth. New development and business investment, coupled with strong sales tax receipts, equates to a two percent gain in ad valorem and tax receipt collections. Diminishing debt service and increases in intergovernmental revenue have also aided the economic outlook for the upcoming fiscal year. Overall, the budget (revenue and expenditures) will increase by two percent. The economic forecast is for continued small gains while our investments in education, transportation, and infrastructure come to fruition. With continued advancements in these areas, and the continued progression of urban repopulation, the long range forecast is positive for population growth and business development.

Conclusion:

The Board of Commissioners is optimistic for the future prosperity of the County and feel that the emphasis on education, transportation, and infrastructure will pay dividends worthy of the investment. Commissioners encourage residents to support these efforts and to contact our State legislators with expressions of support for initiatives aimed to assist rural counties. Of particular importance in the current legislative session is broadband access, water/sewer capital grants, and funds for school capital projects.

Two public hearings will be conducted to receive public input on the FY2020 budget. The final hearing on June 18, 2019 will be followed by a vote to adopt the upcoming fiscal year budget ordinance.

Signed,

Matthew M. Woodard
County Manager

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
I: PREFACE AND INTRODUCTION
B. List of Principal County Officials

BOARD OF COUNTY COMMISSIONERS

DOROTHY "DOTTIE" B. ROBINSON
 Commission Chair (At-Large)
 Term Expires Dec. 2022

JAMES "JIM" T. MATHENY
 Commission Vice-Chair (D1)
 Term Expires Dec. 2020

HARVEY MACK
 Commissioner (D3)
 Term Expires Dec. 2020

MIKE CRISCOE
 Commissioner (At-Large)
 Term Expires Dec. 2022

GRANT HINSON
 Commissioner (D2)
 Term Expires Dec. 2020

COUNTY OFFICIALS

MATTHEW M WOODARD
 County Manager

CARRIE WATKINS + (MISTY COFFIN)
 Clerk to the Board / Assistant to the Manager

RUSS HOLLERS III
 County Attorney

LEON EVERETT
 Animal Control Director

ELECTED DEPARTMENTS

BRIAN NORRIS
 Building Inspections Chief / Fire Marshal

MELISSA F PIPKIN
 Register of Deeds (Term Expires Dec. 2020)

BRIAN HELMS
 Communications & Information Technology Director

CHRIS WATKINS
 Sheriff (Term Expires Dec. 2022)

LARRY LEAKE
 Custodial Services (Housekeeping) Director

COORDINATIVE DEPARTMENTS

CHRIS HILDRETH
 Development & Infrastructure Director

MOLLY ALEXI + (VACANCY)
 Cooperative Extension Director

ROBBIE SMITH
 Emergency Services Director

RHONDA IACONA JOHNSON
 Elections Director *

C. D. CREPPS
 Finance Director

MARY PEREZ-BALDWIN
 Health Director

RENEE JONES
 Human Resources Director

STEPHANIE SMITH
 Social Services Director

DAVID ATKINS
 Library Director

JOSEPH HUNTLEY
 Soil & Water District Resource Specialist *

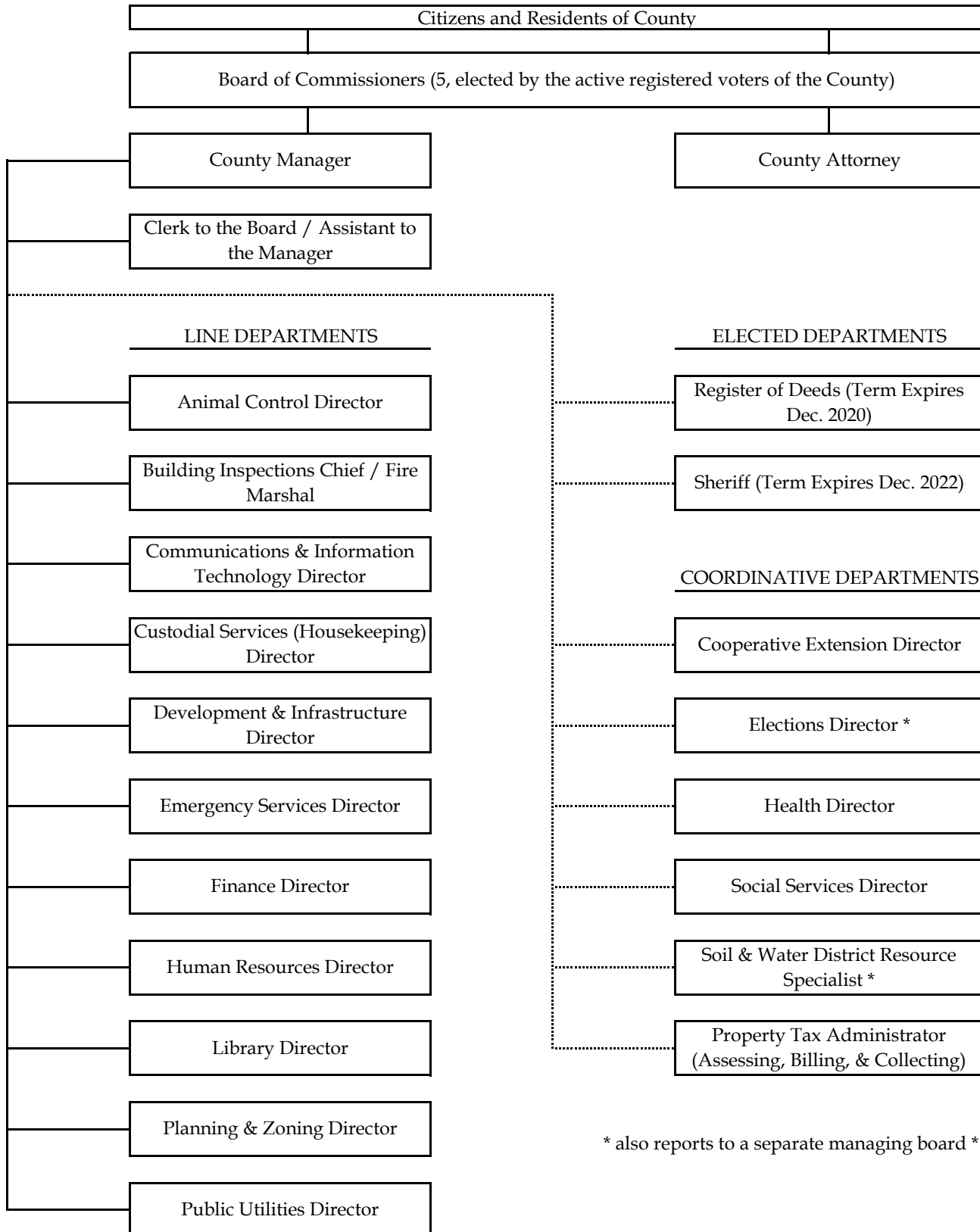
ANDREW GAHAGAN
 Planning & Zoning Director

VICKIE MANESS
 Property Tax Administrator (Assessing, Billing, & Collecting)

VACANCY + (ERIC JOHNSTON)
 Public Utilities Director

+ left employment after June 30, 2019; new person in parentheses +
 * also reports to a separate managing board *

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

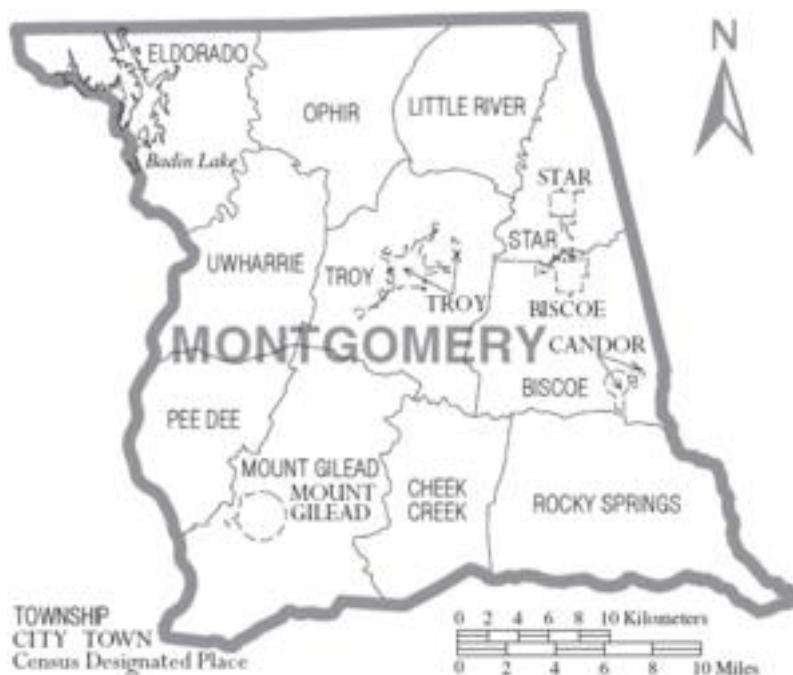


County of Montgomery, North Carolina
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I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director

January 31, 2020

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. Thus, in March 2019, the County entered a new contract with Thomas, Judy, & Tucker, P.A. to conduct the audit for the fiscal year ended June 30, 2019 with the above stipulations. The auditor was permitted access to all requested information and no significant deficiencies have been noted. As of the date of this letter, the auditor's work is virtually completed.



More importantly, as the foundation of the County's financial planning and control, the annually adopted budget gives direction to County departments. And, the table on the next page depicts the County's budgeted funds for accounting purposes. This table includes the budgeted funds for the year being audited (FY 2019), the year previous to the year being audited (FY 2018), and the year subsequent to the year being audited (FY 2020). For comparability, the amounts presented are the amounts included in the original adopted budget ordinance each year. Budget amendments are not included.

DESCRIPTION	FY2020 BUDGET ORDINANCE	FY2019 BUDGET ORDINANCE	FY2018 BUDGET ORDINANCE
GENERAL FUND CLASSIFICATION			
Primary Government Services	\$ 31,878,256	\$ 31,184,471	\$ 31,598,767
Vehicle Purchases	115,000	117,000	166,000
Property Tax Revaluation	520,000	555,000	125,000
Federal Forfeitures and State Substance Tax	6,000	56,000	6,000
Fire Protection	1,450,850	1,010,850	602,624
Court Facilities	50,000	205,000	50,000
Recreation	143,377	169,000	89,000
Haltiwanger Retreat	12,000	12,000	15,000
SUBTOTAL, INCLUDING TRANSFERS	34,174,633	33,309,321	32,652,391
SPECIAL REVENUE FUND CLASSIFICATION			
E911 Emergency Telephone System	215,723	275,918	295,000
Emergency Management Performance Grant	40,000	40,000	40,000
Community Development	8,981	8,981	110,617
Badin Lake Fire District	428,000	428,000	427,000
Wadeville Fire District	20,000	-	-
Lake Tillery Fire District	212,000	209,000	207,000
Child Support Incentives	68,400	302,000	290,000
SUBTOTAL, INCLUDING TRANSFERS	993,104	1,263,899	1,369,617
CAPITAL PROJECT FUND CLASSIFICATION			
Schools Projects	778,086	740,612	1,545,900
Educational Facilities (new high school construction)	85,675,000	74,896,700	1,205,247
Airport Projects	966,667	666,667	120,000
County Projects	2,827,405	2,094,735	819,735
SUBTOTAL, INCLUDING TRANSFERS	90,247,158	78,398,714	3,690,882
ENTERPRISE FUND CLASSIFICATION			
Water and Sewer Operations	4,020,500	4,020,500	3,867,000
Water and Sewer Projects	6,900,250	5,025,000	6,374,000
SUBTOTAL, INCLUDING TRANSFERS	10,920,750	9,045,500	10,241,000
TOTAL, INCLUDING TRANSFERS	\$ 136,335,645	\$ 122,017,434	\$ 47,953,890

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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, 2019, 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, 2019, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the 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 schedule of Changes in Total OPEB Liability and Related Ratios, 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 financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020, 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.

Raleigh, North Carolina
January 31, 2020

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2019
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, 2019* 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 \$74,692,703 (a.k.a. total net position).
- On a government-wide basis, total net position increased by \$7,824,949 from last year's report. Resource management led to this overall increase as the County continues to prepare for future projects.
- The ending fund balances of all governmental funds combined equals \$59,539,843, a decrease of \$30,305,297 (or 33.70%) from prior year. This decrease is almost entirely due to the expenditure of proceeds from a very large loan and is expected to decrease equally substantially over the next year.
- At the end of the fiscal year, the General Fund's total fund balance amounted to \$18,589,352, while fund balance available for appropriation (FBAA) was \$15,627,536. FBAA represents 84.07% of the fund's total fund balance and 47.03% of total expenditures plus outgoing transfers from the fund for the fiscal year.
- The County added \$33,454,035 (or 47.61%) to total capital assets, creating an ending balance of \$103,717,732. This balance is expected to grow much more as construction of a new high school continues.
- Total long-term liabilities decreased by \$2,585,094 (or 2.57%) to \$98,010,078 with ongoing loan payments.

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.

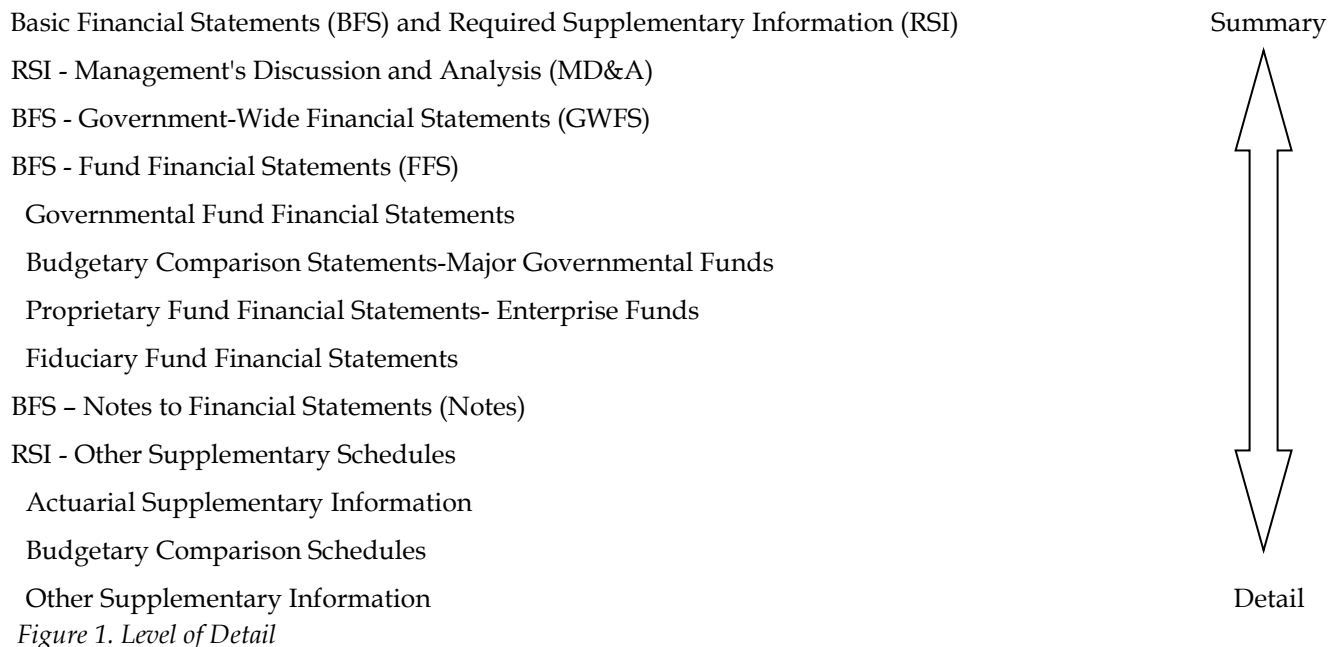


Figure 1. Level of Detail

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. Read further to learn more details.

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, 2019, net position increased by \$7,824,949 to \$74,692,703. 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 and essential needs. The County is proud of the dedication of our employees!

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 nearly 60 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		
	2019	2018	2017	2019	2018	2017
	(amounts depicted in thousands of dollars)					
Current and other assets	\$ 73,744	\$ 97,632	\$ 29,321	\$ 7,675	\$ 6,562	\$ 5,972
Capital assets	79,582	45,284	35,510	24,136	24,890	25,763
Total assets	153,326	142,916	64,831	31,811	31,542	31,735
Total deferred outflows	2,179	1,526	2,094	126	104	164
Current and other liabilities	13,940	7,579	2,637	176	426	313
Long-term liabilities	88,547	90,448	20,605	9,463	10,147	11,115
Total liabilities	102,487	98,027	23,242	9,639	10,573	11,428
Total deferred inflows	616	611	209	7	9	10
Net investment in capital assets	38,229	30,445	19,661	14,870	15,028	14,968
Stabilization by State Statute	3,430	2,733	2,336	-	-	-
Restricted for other reasons	1,474	1,729	1,620	-	-	-
Unrestricted net position	9,269	10,897	19,857	7,421	6,036	5,493
Total net position	\$ 52,402	\$ 45,804	\$ 43,474	\$ 22,291	\$ 21,064	\$ 20,461

Table 2. Condensed Statement of Activities

Category	Governmental Activities			Business-type Activities		
	2019	2018	2017	2019	2018	2017
	(amounts depicted in thousands of dollars)					
Revenues:						
Program revenues						
Charges for services	\$ 4,028	\$ 3,945	\$ 4,381	\$ 4,229	\$ 4,192	\$ 4,525
Program grants & contributions	5,959	5,321	6,925	382	206	68
General revenues						
Property taxes	19,946	19,606	19,021	-	-	-
Other taxes	6,276	5,176	4,883	-	-	-
Other	1,955	612	54	100	69	14
Total revenues	38,164	34,660	35,264	4,711	4,467	4,607
Program expenses:						
General government	4,013	3,997	3,683	-	-	-
Transportation	266	229	234	-	-	-
Public safety	7,771	7,174	7,297	-	-	-
Human services	6,297	6,455	7,635	-	-	-
Environmental protection	928	916	953	3,484	3,935	3,392
Education, intergovernmental	9,117	7,530	6,539	-	-	-
Economic and phys. development	952	678	767	-	-	-
Cultural and recreational	425	384	332	-	-	-
Interest on long-term liabilities	1,797	1,143	856	-	-	-
Total expenses	31,566	28,506	28,296	3,484	3,935	3,392
Change in net position	6,598	6,154	6,968	1,227	532	1,215
Net position, beginning, July 1	45,804	43,474	36,692	21,064	20,461	19,246
Adjustments/Restatements	-	(3,824)	(186)	-	71	-
Net position, beginning, restated	45,804	39,650	36,506	21,064	20,532	19,246
Net position, ending, June 30	\$ 52,402	\$ 45,804	\$ 43,474	\$ 22,291	\$ 21,064	\$ 20,461

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		
	2019	2018	2017	2019	2018	2017
Revenues:						
Program revenues						
Charges for services	10.56%	11.38%	12.42%	89.77%	93.84%	98.22%
Program grants & contributions	15.61%	15.35%	19.64%	8.11%	4.61%	1.48%
General revenues						
Property taxes	52.26%	56.57%	53.94%	0.00%	0.00%	0.00%
Other taxes	16.45%	14.93%	13.85%	0.00%	0.00%	0.00%
Other	5.12%	1.77%	0.15%	2.12%	1.55%	0.30%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	12.71%	14.02%	13.02%	0.00%	0.00%	0.00%
Transportation	0.84%	0.80%	0.82%	0.00%	0.00%	0.00%
Public safety	24.62%	25.17%	25.79%	0.00%	0.00%	0.00%
Human services	19.95%	22.64%	26.98%	0.00%	0.00%	0.00%
Environmental protection	2.94%	3.21%	3.37%	100.00%	100.00%	100.00%
Education, intergovernmental	28.88%	26.42%	23.11%	0.00%	0.00%	0.00%
Economic and phys. development	3.02%	2.38%	2.71%	0.00%	0.00%	0.00%
Cultural and recreational	1.35%	1.35%	1.17%	0.00%	0.00%	0.00%
Interest on long-term liabilities	5.69%	4.01%	3.03%	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, 2019, 61.16% stems from property and other taxes, 19.26% from charges for services, and 14.79% from program grants and contributions. Of total revenues from both governmental and business-type activities for the year ended June 30, 2018, 63.34% stems from property and other taxes, 20.80% from charges for services, and 14.12% from program grants and contributions. For the year ended June 30, 2017, 59.96% stemmed from property and other taxes, 22.33% from charges for services, and 17.54% 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, 2019, about 22.17% is spent on public safety programs, 26.01% toward education programs, about 17.97% for human service programs, 12.59% toward environmental protection activities, and 5.13% toward interest on long-term liabilities. For the year ended June 30, 2018, about 23.21% is spent toward education programs, 22.12% on public safety programs, 19.90% toward human service programs, and 14.95% on environmental protection activities. For

the year ended June 30, 2017, about 24.09% is spent toward human service programs, 23.03% on public safety activities, 20.64% toward education programs, and 13.71% on environmental protection programs. Expenses in these main programs vary some each year while other activities, such as transportation or economic and physical development, may see more volatile changes from year to year. With the 2018 issue of a loan amount that approximates \$68,000,000, interest on long-term liabilities rose considerably in 2019 and will continue to be a major expenditure for the foreseeable future.

To summarize, the County's total revenues are \$42.9 million and total expenses are \$35.1 for the year ended June 30, 2019, adding about \$7.8 million to the total net position of the County. For the year ended June 30, 2018, the County's total revenues were \$39.1 million and total expenses are \$32.4, which added 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.

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	2019	2018	2017	2016	2015	2014	2013
total margin ratio	1.222	1.205	1.262	1.227	1.240	1.215	1.139
percentage change in net position	11.7%	11.1%	14.7%	15.0%	18.0%	18.3%	12.5%
debt service ratio	0.125	0.102	0.104	0.104	0.117	0.108	0.098
quick ratio	2.579	3.989	10.335	11.969	9.300	5.920	11.560
net position ratio	0.149	0.156	0.729	0.619	0.903	0.259	0.291
debt-to-assets ratio	0.529	0.577	0.328	0.354	0.392	0.444	0.485
capital assets condition ratio	0.563	0.587	0.609	0.629	0.656	0.656	0.678

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

- total resource inflow = \$42,842,540, which is total general revenues and transfers (\$28,244,351) plus program revenues (\$8,256,653 + \$5,599,564 + \$741,972) of the County (from Exhibit II.C.1.b)
- total resource outflow = \$35,050,261, which is total expenses of the County (from Exhibit II.C.1.b)
- total margin ratio = \$42,842,540 / \$35,050,261 = 1.222

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

- change in net position = \$7,824,949 (from Exhibit II.C.1.b)
- beginning net position, restated = \$66,867,754 (from Exhibit II.C.1.b)
- percentage (%) change in net position = \$7,824,949 / \$66,867,754 = 11.7%

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

- principal payments = \$1,993,108 + \$686,218 = \$2,679,326 (from Exhibits II.C.2.b and II.D.5.a)
- interest and fees payments = \$1,796,841 + \$239,387 = \$2,036,228 (from Exhibits II.C.2.b and II.D.5.a)
- debt service ratio = (\$2,679,326 + \$2,620,281) / (\$35,050,261 + \$2,679,326) = 0.140

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

- cash and cash equivalents = \$36,404,832 (from Exhibit II.C.1.a)
- current liabilities = \$12,593,741 + \$626,630 + \$0 + \$854,189 + \$41,191 = \$14,115,751 (from Exhibit II.C.1.a)
- quick ratio = \$36,404,832 / \$14,115,751 = 2.579

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

- unrestricted net position = \$16,690,242 (from Exhibit II.C.1.a)
- total liabilities = \$112,125,818 (from Exhibit II.C.1.a)

- net position ratio = $\$16,690,242 / \$112,125,818 = 0.149$

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

- outstanding long-term liabilities = \$98,010,067 (from Exhibit II.C.1.a)
- total assets = \$185,137,295 (from Exhibit II.C.1.a)
- debt-to-assets ratio = $\$98,010,067 / \$185,137,295 = 0.529$

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

- accumulated depreciation = $\$19,255,651 + \$22,658,296 = \$41,913,947$ (from Note on Capital Assets)
- capital assets being depreciated = $\$49,813,342 + \$46,141,258 = \$95,954,600$ (from Note on Capital Assets)
- capital assets condition ratio = $1.000 - (\$41,913,947 / \$95,954,600) = 0.563$

Governmental Activities

Governmental activities increased the County's net position by \$6,598,133, thereby responsible for 84.3% of the overall increase in total government-wide net position. During the previous year that ended June 30, 2018, 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 fiscal year ended June 30, 2017, 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, 2020, one very significant capital project (construction of a new high school) will end.

Business-Type Activities

Business-type activities increased the County's net position by another \$1,226,816, accounting for the remaining 15.7% of the overall increase in total government-wide net position. During the previous year that ended June 30, 2018, 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 fiscal year ended June 30, 2017, 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, 2020 and June 30, 2021, 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, 2019*.

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 \$55.6 million, a sizable decrease from last year's \$86.4 million, which was up substantially from \$23.5 million a year earlier, due primarily to account balances related to our high school project.

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, 2019, fund balance available for appropriation amounts to 75.5% of total expenditures and total fund balance amounts to 80.5% of total expenditures. For the year ended June 30, 2018, fund balance available for appropriation across all governmental funds amounted to 182.4% of total expenditures and total fund balance amounted 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. 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, 2019, the County reports \$59,539,843 as the combined fund balance of all governmental funds. The total decrease in the combined fund balance of all governmental funds of \$30,305,297 may be primarily attributed to expenditures of proceeds from a large loan that is being used to complete construction of a new high school. A year earlier, on June 30, 2018, the County reported \$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 \$63,777,342 was primarily attributed to recognition of proceeds from a large loan that were to be used to complete construction of a new high school. Two years 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 could primarily be 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	2019	2018	2017	2016	2015	2014	2013
operations ratio	0.514	0.729	1.062	0.947	1.104	1.052	1.151
% change in fund balance	(33.7%)	244.7%	23.1%	32.2%	(0.3)%	9.8%	37.7%
debt service ratio	0.059	0.053	0.074	0.069	0.089	0.085	0.086
quick ratio	5.249	13.800	10.697	16.421	20.682	9.682	15.886
available fund balance-to-expenditures	0.755	1.824	0.702	0.510	0.392	0.426	0.484
debt-to-assessed value ratio	0.0247	0.0260	0.0052	0.0058	0.0065	0.0079	0.0087
intergovernmental ratio	0.149	0.143	0.185	0.190	0.227	0.243	0.235

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 = \$43,690,737, which is total revenues (\$38,010,960) plus transfers in (\$5,679,777) of the County's governmental funds (from Exhibit II.C.2.b)
- transfers-in to capital project-type funds = \$5,679,777, which is total transfers-in to capital projects funds (from Exhibit II.E.02)
- total expenditures plus transfers out = \$73,996,034, which is total expenditures (\$68,316,257) plus transfers out (\$5,679,777) 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 = (\$43,690,737 - \$5,679,777) / (\$73,996,034 - \$0) = 0.514

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

- change in fund balance = - \$30,305,297 (from Exhibit II.C.2.b)
- beginning fund balance = \$89,845,140 (from Exhibit II.C.2.b)

- percentage change in fund balance = $-\$30,305,297 / \$89,845,140 = (33.7\%)$
- 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 = \$1,993,108 (from Exhibit II.C.2.b)
 - interest payments = \$2,378,967 (from Exhibit II.C.2.b)
 - debt service ratio = $(\$1,993,108 + \$2,378,967) / (\$73,996,034 - \$0) = 0.059$
- 4) quick ratio = (cash and investments) divided by (current liabilities--not including deferred revenues)
- cash and cash equivalents = \$68,815,260 (from Exhibit II.C.2.a)
 - current liabilities--not including deferred revenues = \$13,108,982 (from Exhibit II.C.2.a)
 - quick ratio = $\$68,815,260 / \$13,108,982 = 5.249$
- 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 = \$55,835,596 (from Exhibit II.C.2.a)
 - available fund balance-to-expenditures ratio = $\$55,835,596 / (\$73,996,034 - \$0) = 0.755$
- 6) debt-to-assessed value ratio = (long-term debt) divided by (total assessed value used for property tax purposes)
- long-term debt = \$79,480,690 (from detail notes in Exhibit II.C.3.b.B.7.f)
 - total assessed value used for property tax purposes = \$3,214,349,377 (from Exhibit II.E.03)
 - debt-to-assessed value ratio = $\$79,480,690 / \$3,214,349,377 = 0.0247$
- 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 = \$5,651,129 (from Exhibit II.C.2.b)
 - intergovernmental ratio = $\$5,651,129 / (\$43,690,737 - \$5,679,777) = 0.149$

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 \$15,627,536, while total fund balance reached \$18,589,352. The total increase in the fund balance of the General Fund of \$1,870,139 can be attributed to a special \$3,000,000 transfer to the Education Facilities Fund, 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 47.0% of total General Fund expenditures, while total fund balance represents 55.9% 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 facilities and addresses other space availability and utilization issues.

At June 30, 2018, 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) was 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 represented 39.9% of total General Fund expenditures, while total fund balance represented 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 facilities and addresses other space availability and utilization issues.

Two years 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 was 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 represented 50.5% of total General Fund expenditures, while total fund balance represented 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 facilities and addresses other pressing needs.

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, following letters from the State indicating the County was not meeting minimum financial standards.

GENERAL FUND ONLY	2019	2018	2017	2016	2015	2014	2013
available fund balance-to-expenditures	47.0%	39.9%	50.5%	30.1%	40.5%	39.1%	30.0%

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, 2019 and expects to be a major fund for the next year or more.

Proprietary Funds. The County of Montgomery's proprietary (i.e. enterprise) fund provides 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 \$7,420,824 and total net position of the fund is \$22,290,895. 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, 2019 totals \$103,717,732 (net of accumulated depreciation), which represents an increase of \$33,454,035 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 (\$35,156,328 increase to reported capital assets).
- Purchase and other additions of vehicles and other equipment (\$1,206,859 increase).
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$1,000,618 and on capital assets other than equipment and vehicles of \$1,900,215 (total \$2,900,833 decrease).
- Retirement of older vehicles, net of depreciation, in the amount of \$8,319 (decrease).

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. 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.

The County's investments in capital assets increased nearly 47.6% from the previous year. During the year ended June 30, 2018, 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', 7.

'Capital Assets') and Note b.A.5. (which refers to a place in the Notes to the Financial Statements, found under divisions entitled **b.** 'Detail Notes on Important Items', **A.** 'Assets', **5.** 'Capital Assets'.)

Table 6. Capital Assets, net of Accumulated Depreciation

Category	Governmental Activities			Business-type Activities		
	2019	2018	2017	2019	2018	2017
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 4,989	\$ 4,489	\$ 1,127	\$ 121	\$ 111	\$ 95
Construction in progress	44,035	9,704	2,431	532	255	350
Buildings and improvements	21,694	22,477	23,138	780	918	1,056
Infrastructure	2,287	2,357	2,427	19,658	20,542	21,013
Equipment (including vehicles)	6,577	6,256	6,387	3,045	3,154	3,249
Total capital assets, net	\$ 79,582	\$ 45,283	\$ 35,510	\$ 24,136	\$ 24,980	\$ 25,763

Long-term Liabilities. As of June 30, 2019, the County had total long-term liabilities outstanding of \$98,010,078, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to \$88,746,382. During the year ended June 30, 2019, the change in total long-term liabilities was - \$2,585,094 (or - 2.6%) and the change in outstanding indebtedness was - \$2,679,316 (or - 2.9%). During the year, the County met all normal debt service requirements (both principal and interest payments) of \$5,201,971. Other changes include changes in unamortized bond premium, compensated absences, pension liabilities, and OPEB liability.

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 \$91,425,698. 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 \$64,946,409 (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 \$31,673,143, 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.

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 \$170,138,307, a slight increase from \$162,232,032 on June 30, 2018, 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 31.8% 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.7. (which refers to a place in the Notes to the Financial Statements, found under divisions entitled as follows: **b.** 'Detail Notes on Important Items', **B.** 'Liabilities', **7.** 'Long-Term Obligations')

BUDGETARY HIGHLIGHTS - FY 2019

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to continue incomplete projects from the prior fiscal year; 3) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 4) increases in appropriations that become necessary to maintain services. And, the Commissioners have granted the County Manager authority to carry-forward unspent donations and other designated proceeds for which budget was approved by the Commissioners in a prior year but some expenditures have not yet occurred. See Table 7 following the discussion below for a summary of budget amendments by fund.

General Fund: Total amendments to the General Fund increased budgeted revenues by \$1,101,435 and appropriations of fund balance by \$3,700,000 for a total budgetary increase of \$4,801,435 and a final budget of \$37,058,906. 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, no budget amendment was posted.

Non-major Funds. Total amendments to non-major funds of \$6,000 include budget for a transfer of funds to the General Fund.

Table 7. Schedule of Budget Amendment Amounts by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	\$ 32,257,471	\$ 4,801,435	\$ 37,058,906
Public Utilities Fund	4,020,500	-	4,020,500
Non-major Funds	1,254,918	6,000	1,260,918
Totals	\$ 37,532,889	\$ 4,807,435	\$ 42,340,324

BUDGETARY HIGHLIGHTS - ADOPTED BUDGET RECAP

For a look at the County's adopted budget for fiscal years 2020, 2019, and 2018, 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 2020 increased estimated revenues and appropriations by \$14,318,211 (or 11.73%) 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, was \$13,723,694. The beginning budget for the General Fund increased by \$865,312 from the previous year's beginning budget. All other funds had a net decrease of - \$270,795.

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.

Governmental Funds: The fiscal year 2020 beginning budget for the General Fund increases estimated revenues and appropriations by \$865,312, or 2.60%. The fiscal year 2020 beginning budget for all governmental capital projects funds increases by \$11,848,444 compared to the previous year. For all other governmental funds, the fiscal year 2018 beginning budget decreases by - \$270,795.

The fiscal year 2019 beginning budget for the General Fund increased estimated revenues and appropriations by \$656,930, or 2.01%. The fiscal year 2019 beginning budget for all governmental capital projects funds increased by \$74,707,832 compared to the previous year. For all other governmental funds, the fiscal year 2018 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).

Enterprise Funds: The fiscal year 2020 beginning budget for the Water and Sewer Operations Fund equals the fiscal year 2019 beginning budget. The beginning budget of the Water and Sewer Projects Fund increases by \$1,875,250.

The fiscal year 2019 beginning budget for the Water and Sewer Operations Fund increased 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.

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.

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 nearly 60 years ago.

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.

Governmental Activities: An increase in assessed property values typically leads to increased property tax revenues. And, for fiscal year 2020, anticipated 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 2020 should see similar amounts of departmental fees collected when compared to prior year. As well, some major projects will continue and some major 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 in anticipated in the near future.

REQUESTS FOR ADDITIONAL FACTS

We appreciate the interest in our finances!

For those with a deeper level of 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 consider taking the following actions:

- 1) visiting our website (<http://www.montgomerycountync.com/>),
- 2) sending email to us via finance@montgomerycountync.com,
- 3) contacting us by telephone (910-576-4221), and/or
- 4) addressing your request to:

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

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019

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County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2019

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

	<u>Identifier</u>	<u>Page No.</u>
1. Government-Wide Financial Statements	Part II.C.1	32
2. Fund Financial Statements	Part II.C.2	37
3. Notes to Financial Statements	Part II.C.3	47

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, 2019

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	33
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	34

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, according to GASB.

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

June 30, 2019

With Comparative Totals as of June 30, 2018

	Primary Government				Component Unit		
	Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority		
			2019	2018	2019	2018	
ASSETS							
Cash and cash equivalents	\$ 30,171,516	\$ 6,233,316	\$ 36,404,832	\$ 31,760,763	\$ 173,043	\$ 152,156	
Taxes receivable, net	956,805	-	956,805	793,071	-	-	
Accounts receivable, net	2,669,108	871,086	3,540,194	3,244,559	-	-	
Due from other governments	986,977	267,046	1,254,023	283,338	-	247	
Inventories	62,816	246,356	309,172	261,928	-	-	
Prepaid items	211,254	57,645	268,899	727,409	485	74	
Restricted cash	38,643,744	-	38,643,744	67,082,374	-	-	
Net pension asset-RODSPF	41,894	-	41,894	41,390	-	-	
Capital assets							
Land and construction in progress	49,024,280	652,799	49,677,079	14,560,173	-	-	
Other capital assets, net of accumulated depreciation	30,557,691	23,482,962	54,040,653	55,703,524	-	-	
Total capital assets	79,581,971	24,135,761	103,717,732	70,263,697	-	-	
Total Assets	\$ 153,326,085	\$ 31,811,210	\$ 185,137,295	\$ 174,458,529	\$ 173,528	\$ 152,477	
DEFERRED OUTFLOWS OF RESOURCES:							
Pension and OPEB related deferrals	\$ 2,179,061	\$ 125,962	\$ 2,305,023	\$ 1,630,124	\$ -	\$ -	
Total Deferred Outflows	\$ 2,179,061	\$ 125,962	\$ 2,305,023	\$ 1,630,124	\$ -	\$ -	
LIABILITIES							
Accounts payable and accrued expenses	\$ 12,475,181	\$ 118,560	\$ 12,593,741	\$ 5,151,435	\$ -	\$ -	
Unearned revenues	626,630	-	626,630	1,969,893	-	-	
Accrued interest payable	830,365	23,824	854,189	841,177	-	-	
Due to other taxing units	7,171	34,020	41,191	42,850	-	-	
Long-term liabilities							
Net pension liability	2,460,251	161,661	2,621,912	1,800,880	-	-	
Total pension liability-LEOSSA	619,499	-	619,499	679,920	-	-	
Total OPEB liability	4,789,684	-	4,789,684	4,872,169	-	-	
Current portion of long-term liabilities	2,593,151	699,085	3,292,236	3,344,039	-	-	
Non-current portion of long-term liabilities	78,084,644	8,602,092	86,686,736	89,898,163	-	-	
Total Long-term liabilities	88,547,229	9,462,838	98,010,067	100,595,171	-	-	
Total Liabilities	\$ 102,486,576	\$ 9,639,242	\$ 112,125,818	\$ 108,600,526	\$ -	\$ -	
DEFERRED INFLOWS OF RESOURCES:							
Unearned revenues	\$ 83,123	\$ -	\$ 83,123	\$ 188,949	\$ -	\$ -	
Pension-related deferrals	533,639	7,035	540,674	431,424	-	-	
Total Deferred Inflows	\$ 616,762	\$ 7,035	\$ 623,797	\$ 620,373	\$ -	\$ -	
NET POSITION							
Net investment in capital assets	\$ 38,228,856	\$ 14,870,071	\$ 53,098,927	\$ 45,473,372	\$ -	\$ -	
Restricted net position:							
Stabilization by State Statute	3,430,177	-	3,430,177	2,732,587	-	247	
General government	523,175	-	523,175	536,442	-	-	
Public Safety	358,113	-	358,113	333,599	-	-	
Human services	237,963	-	237,963	254,718	-	-	
Economic and physical development	208,330	-	208,330	432,574	173,528	152,230	
Cultural and recreational	145,776	-	145,776	171,929	-	-	
Total restricted net position	4,903,534	-	4,903,534	4,461,849	173,528	152,477	
Unrestricted net position	9,269,418	7,420,824	16,690,242	16,932,533	-	-	
Total Net Position	\$ 52,401,808	\$ 22,290,895	\$ 74,692,703	\$ 66,867,754	\$ 173,528	\$ 152,477	

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

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

(continued on next page)

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

		Program Revenues			
PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Program Revenues (Expenses)
EXPENSES, PROGRAM REVENUES, AND NET RESULTS					
Governmental activities:					
General government	\$ (4,013,286)	\$ 376,827	\$ 347,510	\$ -	\$ (3,288,949)
Transportation	(265,684)	-	-	721,086	455,402
Public safety	(7,771,221)	1,305,391	572,770	-	(5,893,060)
Human services	(6,296,975)	415,743	3,697,451	-	(2,183,781)
Environmental protection	(927,443)	1,916,333	57,327	-	1,046,217
Education (intergovernmental)	(9,117,004)	-	450,000	-	(8,667,004)
Economic and physical development	(952,177)	11,363	-	5,351	(935,463)
Cultural and recreational	(425,057)	2,257	24,800	-	(398,000)
Interest on long-term liabilities	(1,796,841)	-	83,047	-	(1,713,794)
Debt issuance costs	-	-	-	-	-
Subtotal governmental activities	(31,565,688)	4,027,914	5,232,905	726,437	(21,578,432)
Business-type activities					
Water distribution system	(3,484,573)	4,228,739	366,659	15,535	1,126,360
Subtotal business-type activities	(3,484,573)	4,228,739	366,659	15,535	1,126,360
Total primary government	\$ (35,050,261)	\$ 8,256,653	\$ 5,599,564	\$ 741,972	\$ (20,452,072)
Component unit:					
Tourism development authority	\$ (21,157)	\$ -	\$ -	\$ -	\$ (21,157)

GENERAL REVENUES AND TRANSFERS:

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

Total general revenues

Special item-loss from sale of capital assets

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

Net position, beginning (July 1)

Restatement (2018: GASBS 75)

Net position, beginning-restated

Net position, ending (June 30)

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

(continued on next page)

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PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Primary Government				Component Unit	
	Governmental Activities	Business-Type Activities	Totals		Tourism Development Authority	
			2019	2018	2019	2018
NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE						
Governmental activities:						
General government	\$ (3,288,949)	\$ -	\$ (3,288,949)	\$ (3,263,593)	\$ -	\$ -
Transportation	455,402	-	455,402	(228,482)	-	-
Public safety	(5,893,060)	-	(5,893,060)	(5,292,998)	-	-
Human services	(2,183,781)	-	(2,183,781)	(2,173,456)	-	-
Environmental protection	1,046,217	-	1,046,217	996,360	-	-
Education (intergovernmental)	(8,667,004)	-	(8,667,004)	(7,279,512)	-	-
Economic and physical development	(935,463)	-	(935,463)	(587,724)	-	-
Cultural and recreational	(398,000)	-	(398,000)	(357,522)	-	-
Interest on long-term liabilities	(1,713,794)	-	(1,713,794)	(765,426)	-	-
Debt issuance costs	-	-	-	(287,363)	-	-
Subtotal governmental activities	(21,578,432)	-	(21,578,432)	(19,239,716)	-	-
Business-type activities						
Water distribution system	-	1,126,360	1,126,360	462,513	-	-
Subtotal business-type activities	-	1,126,360	1,126,360	462,513	-	-
Total primary government	(21,578,432)	1,126,360	(20,452,072)	(18,777,203)	-	-
Component unit:						
Tourism development authority	-	-	-	-	(21,157)	(5,631)
	19,945,828	-	19,945,828	19,606,160	-	-
	5,620,600	-	5,620,600	5,173,660	-	-
	-	-	-	-	42,208	43,532
	655,263	-	655,263	1,800	-	-
	1,922,204	100,456	2,022,660	648,387	-	-
	28,143,895	100,456	28,244,351	25,430,007	42,208	43,532
	32,670	-	32,670	32,985	-	-
	28,176,565	100,456	28,277,021	25,462,992	42,208	43,532
	6,598,133	1,226,816	7,824,949	6,685,789	21,051	37,901
	45,803,675	21,064,079	66,867,754	63,935,148	152,477	114,576
	-	-	-	(3,753,183)	-	-
	45,803,675	21,064,079	66,867,754	60,181,965	152,477	114,576
	\$ 52,401,808	\$ 22,290,895	\$ 74,692,703	\$ 66,867,754	\$ 173,528	\$ 152,477

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

(continued from previous page)

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019

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County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2019

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	38
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Position'	Exhibit II.C.2.a.i	39
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	40
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	41
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	42
d. Enterprise Fund: Public Utilities: Statement of Fund Net Position	Exhibit II.C.2.d	43
e. Enterprise Fund: Public Utilities: Statement of Revenues, Expenses, and Changes in Fund Net Position	Exhibit II.C.2.e	44
f. Enterprise Fund: Public Utilities: Statement of Cash Flows	Exhibit II.C.2.f	45
g. Fiduciary Funds: Statement of Fiduciary Net Position	Exhibit II.C.2.g	46

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

County of Montgomery, North Carolina

a. Governmental Funds: Balance Sheet

(continued on next page)

June 30, 2019

With Comparative Totals as of June 30, 2018

	Governmental Funds					
	Major:	Major:	Non-major:	Totals		
	General	Educational Facilities	All Others	2019	2018	
ASSETS						
Cash and cash equivalents	\$ 16,593,933	\$ 9,839,376	\$ 3,738,207	\$ 30,171,516	\$ 26,265,300	
Taxes receivable, net	939,350	-	17,455	956,805	793,071	
Accounts receivable, net	2,512,548	-	156,560	2,669,108	2,480,220	
Due from other governments	212,543	414,795	359,639	986,977	254,542	
Inventories	62,816	-	-	62,816	50,965	
Prepaid items	187,376	-	23,878	211,254	664,790	
Restricted cash	773,669	37,870,075	-	38,643,744	67,082,374	
Total assets	\$ 21,282,235	\$ 48,124,246	\$ 4,295,739	\$ 73,702,220	\$ 97,591,262	
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ 1,015,391	\$ 8,070,461	\$ 293,874	\$ 9,379,726	\$ 4,365,834	
Contract retainage	15,050	3,049,631	30,774	3,095,455	422,392	
Unearned revenues	626,630	-	-	626,630	1,969,893	
Due to other taxing units	-	-	7,171	7,171	5,983	
Total liabilities	1,657,071	11,120,092	331,819	13,108,982	6,764,102	
Deferred inflows of resources						
Property taxes receivable, net	952,817	-	17,455	970,272	793,071	
Unearned tax revenues	82,995	-	128	83,123	188,949	
Total deferred inflows	1,035,812	-	17,583	1,053,395	982,020	
Fund balances						
Non-spendable						
Inventories	62,816	-	-	62,816	50,965	
Prepaid items	187,376	-	23,878	211,254	664,790	
Restricted						
Stabilization by State Statute	2,711,624	414,795	303,758	3,430,177	2,732,587	
General Government	523,175	-	-	523,175	536,442	
Public Safety	146,900	-	211,213	358,113	333,599	
Human Services	9,120	-	228,843	237,963	254,718	
Economic and Physical Development	-	-	208,330	208,330	432,574	
Cultural and Recreational	145,776	-	-	145,776	171,929	
Committed						
Transportation	-	-	-	-	115,515	
Public Safety	1,762,547	-	-	1,762,547	697,762	
Education (intergovernmental)	-	-	390,615	390,615	282,182	
Schools Capital Outlay	-	36,589,359	-	36,589,359	69,802,964	
Economic and Physical Development	1,250,000	-	-	1,250,000	750,000	
Cultural and Recreational	35,521	-	-	35,521	31,614	
Assigned						
Incomplete projects	-	-	2,579,708	2,579,708	1,824,800	
General Government	189,332	-	-	189,332	10,249	
Public Safety	81,259	-	-	81,259	78,728	
Economic and Physical Development	130,751	-	-	130,751	135,976	
Cultural and Recreational	46,335	-	-	46,335	36,101	
Unassigned	11,306,820	-	(8)	11,306,812	10,901,645	
Total fund balances	18,589,352	37,004,154	3,946,337	59,539,843	89,845,140	
Total liabilities, deferred inflows, and fund balances	\$ 21,282,235	\$ 48,124,246	\$ 4,295,739	\$ 73,702,220	\$ 97,591,262	

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.

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

(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, 2019

With Comparative Totals as of June 30, 2018

	2019	2018
Total fund balances of governmental funds	\$ 59,539,843	\$ 89,845,140
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 yearly 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:	98,837,622	62,932,417
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:	(19,255,651)	(17,648,998)
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:	970,272	793,071
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:	(830,365)	(815,426)
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.	(80,677,795)	(83,233,920)
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.	(6,182,118)	(6,068,609)
Total net position of governmental activities	<u>\$ 52,401,808</u>	<u>\$ 45,803,675</u>

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

(continued from previous page)

County of Montgomery, North Carolina

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

(continued on next page)

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	Governmental Funds				
	Major:	Major:	Non-major:	Totals	
	General	Educational Facilities	All Others	2019	2018
REVENUES					
Ad valorem property taxes	\$ 19,792,962	\$ -	\$ 626,960	\$ 20,419,922	\$ 19,996,039
Local option sales taxes	5,620,599	-	-	5,620,599	5,173,659
Other taxes	1,910	-	-	1,910	1,786
Unrestricted intergovernmental revenues	392,070	-	-	392,070	410,510
Restricted intergovernmental revenues	4,281,958	-	977,102	5,259,060	4,520,022
Licenses, fees, and permits	2,962,678	-	-	2,962,678	2,844,958
Sales and services	593,795	-	-	593,795	601,704
Investment earnings	620,944	1,301,260	73	1,922,277	592,932
Miscellaneous	833,298	-	5,351	838,649	310,006
Total revenues	35,100,214	1,301,260	1,609,486	38,010,960	34,451,616
EXPENDITURES					
General government	3,986,337	-	-	3,986,337	3,538,162
Transportation	162,171	-	714,330	876,501	159,441
Public safety	6,757,913	-	750,645	7,508,558	6,983,935
Human services	6,227,810	-	53,811	6,281,621	6,454,350
Environmental protection	946,816	-	-	946,816	938,393
Education (intergovernmental)	6,246,710	-	555,165	6,801,875	7,361,723
Schools capital outlay	-	36,426,290	-	36,426,290	10,772,259
Economic and physical development	521,695	-	179,595	701,290	441,410
Cultural and recreational	414,100	-	-	414,100	372,021
Debt service, principal reduction	1,915,316	-	77,792	1,993,108	2,050,212
Debt service, interest and fees	371,430	1,990,773	16,764	2,378,967	442,747
Debt service, issuance costs	-	794	-	794	287,362
Total expenditures	27,550,298	38,417,857	2,348,102	68,316,257	39,802,015
Excess (deficiency) of revenues over expenditures	7,549,916	(37,116,597)	(738,616)	(30,305,297)	(5,350,399)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	4,263,295	1,416,482	5,679,777	7,552,804
Transfers out	(5,679,777)	-	-	(5,679,777)	(7,552,804)
Installment financing issued	-	-	-	-	69,127,742
Total other financing sources (uses)	(5,679,777)	4,263,295	1,416,482	-	69,127,742
Net change in fund balances	1,870,139	(32,853,302)	677,866	(30,305,297)	63,777,343
FUND BALANCES					
Beginning fund balances (July 1)	16,719,213	69,857,456	3,268,471	89,845,140	26,067,797
Ending fund balances (June 30)	\$ 18,589,352	\$ 37,004,154	\$ 3,946,337	\$ 59,539,843	\$ 89,845,140

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.

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

(continued on next page)

County of Montgomery, North Carolina

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

(continued from previous page)

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019	2018
Net change in fund balances of governmental funds	\$ (30,305,297)	\$ 63,777,343
<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)
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:	36,017,072	11,335,180
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:	(1,718,520)	(1,535,090)
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:	(131,577)	5,059
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.	177,199	88,516
6. Governmental funds do not recognize long-term liabilities that are not due and payable in the current period. Thus, payment of such liabilities are recognized as expenditures in the period that the payment is made rather than reductions in the liability as reflected on the Statement of Net Position. The current year's payments made are:	1,993,107	2,050,212
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:	566,149	(412,711)
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)
9. Payments to the refunded bond escrow agent via advanced refundings are recognized as an other financing use in governmental funds in the period that the refunding is made, yet expenses will be reflected on the Statement of Activities as payments are issued to bondholders. The current year change is:	-	(15,636)
Total net change in net position of governmental activities	\$ 6,598,133	\$ 6,153,705

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, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Positive (Negative)
REVENUES				
Ad valorem property taxes	\$ 18,926,363	\$ 18,995,356	\$ 19,792,962	\$ 797,606
Local option sales taxes	4,275,000	4,425,000	5,620,599	1,195,599
Other taxes	-	-	1,910	1,910
Unrestricted intergovernmental revenues	236,000	236,000	392,070	156,070
Restricted intergovernmental revenues	4,190,141	4,878,207	4,281,958	(596,249)
Licenses, fees, and permits	2,482,500	2,585,652	2,962,678	377,026
Sales and services	569,463	569,463	593,795	24,332
Investment earnings	270,000	270,000	620,944	350,944
Miscellaneous	118,093	226,183	833,298	607,115
Total revenues	31,067,560	32,185,861	35,100,214	2,914,353
EXPENDITURES				
General government	5,196,677	5,136,541	3,986,337	1,150,204
Transportation	175,000	175,000	162,171	12,829
Public safety	7,223,306	8,086,446	6,757,913	1,328,533
Human services	6,516,125	6,675,570	6,227,810	447,760
Environmental protection	916,753	966,992	946,816	20,176
Education (intergovernmental)	6,074,000	6,274,000	6,246,710	27,290
Economic and physical development	927,547	1,302,158	521,695	780,463
Cultural and recreational	498,542	506,678	414,100	92,578
Debt service, principal reduction	1,915,317	1,915,317	1,915,316	1
Debt service, interest and fees	371,892	371,892	371,430	462
Total expenditures	29,815,159	31,410,594	27,550,298	3,860,296
Excess of revenues over (under) expenditures	1,252,401	775,267	7,549,916	6,774,649
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	-	(50,000)
Transfers out	(2,442,312)	(5,648,312)	(5,679,777)	(31,465)
Fund balance appropriated (contingency)	1,139,911	4,823,045	-	(4,823,045)
Total other financing sources (uses)	(1,252,401)	(775,267)	(5,679,777)	(4,904,510)
Net change in fund balance	\$ -	\$ -	1,870,139	\$ 1,870,139
FUND BALANCES				
Beginning fund balances (July 1)			16,719,213	
Ending fund balances (June 30)			<u>\$ 18,589,352</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, 2019

With Comparative Totals as of June 30, 2018

	Enterprise Fund: Public Utilities	
	Totals	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,233,316	\$ 5,495,463
Accounts receivable, net	871,086	764,339
Due from other governments	267,046	28,796
Inventories	246,356	210,963
Prepaid items	57,645	62,619
Total current assets:	7,675,449	6,562,180
Non-current assets:		
Capital assets		
Land, land improvements, and construction in progress	652,799	366,357
Other capital assets, net of accumulated depreciation	23,482,962	24,613,921
Total capital assets	24,135,761	24,980,278
Total non-current assets	24,135,761	24,980,278
Total assets	31,811,210	31,542,458
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferrals	125,962	104,600
LIABILITIES		
Current liabilities:		
Accounts payable	118,560	363,209
Due to other taxing units	34,020	36,867
Accrued interest payable	23,824	25,751
Compensated absences	5,323	8,456
Loans and other debt, amount due next year	693,762	686,218
Total current liabilities	875,489	1,120,501
Non-current liabilities:		
Compensated absences	30,164	47,918
Net pension liability	161,661	139,273
Loans and other debt, amount due after next year	8,571,928	9,265,690
Total non-current liabilities	8,763,753	9,452,881
Total liabilities	9,639,242	10,573,382
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferrals	7,035	9,597
NET POSITION		
Net investment in capital assets	14,870,071	15,028,369
Unrestricted net position	7,420,824	6,035,710
Total net position	\$ 22,290,895	\$ 21,064,079

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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	Enterprise Fund: Public Utilities	
	Totals	
	2019	2018
OPERATING REVENUES		
Departmental fees	\$ 4,228,739	\$ 4,191,811
Other operating revenue	59,788	59,788
Total operating revenues	4,288,527	4,251,599
OPERATING EXPENSES		
Salaries and employee benefits	610,109	742,196
Pension expense	34,396	48,091
Various professional services	116,732	301,475
Supplies and materials	357,076	225,298
Automotive fuels and supplies	28,387	30,693
Penalties and fines	75	129
Postage, shipping, delivery costs	42,448	39,446
Utilities	303,704	276,137
Repairs and maintenance	120,721	256,217
Rental/lease expenditures	39,786	25,023
Contracted services	122,840	122,751
Landfill charges & Sludge removal	18,479	8,647
Furniture, equipment, and tools	21,406	76,373
Sewer processing charges	76,812	71,239
Depreciation	1,182,315	1,168,021
Bad debt expense	67,307	62,063
Other operating expenses	43,963	25,871
Total operating expenses	3,186,556	3,479,670
Operating income (loss)	1,101,971	771,929
NONOPERATING REVENUES AND EXPENSES		
Intergovernmental revenues, restricted	306,871	142,500
Investment earnings	100,456	55,588
Project-related expenses	(58,630)	(199,138)
Debt service, interest and fees	(239,387)	(256,571)
Gain (loss) on disposal of capital assets	-	(1,653)
Other miscellaneous revenues	15,535	3,793
Total nonoperating revenues and expenses	124,845	(255,481)
Income before contributions and transfers	1,226,816	516,448
Transfer from (to) governmental funds	-	15,636
Change in net position	1,226,816	532,084
Beginning net position (July 1)	21,064,079	20,461,168
Restatement from change in accounting principles (GASBS 75)	-	70,827
Beginning net position-restated	21,064,079	20,531,995
Net position, ending (June 30)	\$ 22,290,895	\$ 21,064,079

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, 2019

With Comparative Totals For the Year Ended June 30, 2018

Enterprise Fund: Public Utilities		
Totals		
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,816,435	\$ 4,053,756
Cash received from other operations	75,323	63,581
Cash paid to employees for services	(666,927)	(785,067)
Cash paid for goods and services	(1,585,879)	(1,530,147)
Net cash flows from operating activities	1,638,952	1,802,123
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Government grants for non-capital purchases	39,252	136,500
Due from (to) other funds and projects	(42,829)	(8,071)
Net cash flows from non-capital financing activities	(3,577)	128,429
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Government grants for capital purchases	267,619	6,000
Debt service, principal reduction	(686,218)	(843,165)
Debt service, interest and fees	(241,314)	(259,716)
Purchase and construction of capital assets	(338,065)	(386,525)
Proceeds on disposal of capital assets	-	17,383
Net cash flows from capital and related financing activities	(997,978)	(1,466,023)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	100,456	55,588
Net cash flows from investing activities	100,456	55,588
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	737,853	520,117
Beginning cash, cash equivalents, and restricted cash (July 1)	5,495,463	4,975,346
Ending cash, cash equivalents, and restricted cash (June 30)	\$ 6,233,316	\$ 5,495,463
Schedule of Noncash Capital and Related Financing Activities		
Net capital assets transferred from (to) the General Fund	\$ -	\$ 15,636
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,101,971	\$ 771,929
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	(412,304)	(138,055)
2. Decrease (increase) in prepayments and inventories	(30,419)	5,692
3. Increase (decrease) in accounts payable and contract retainages	(247,496)	116,109
4. Increase (decrease) in accrued compensatory leave and retirement benefits	(20,886)	(70,662)
5. Increase (decrease) in net pension liability (asset)	22,388	(53,775)
6. Bad debt expense (not a cash expenditure, no effect on cash flow)	67,307	62,063
7. Pension deferrals (not a cash expenditure, no effect on cash flow)	(23,924)	(59,199)
8. Depreciation expense (not a cash expenditure, no effect on cash flow)	1,182,315	1,168,021
Net cash flows from operating activities	\$ 1,638,952	\$ 1,802,123

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, 2019

With Comparative Totals as of June 30, 2018

	Agency Funds	
	Totals	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 114,344	\$ 111,569
Taxes receivable, net	332,716	295,646
Total assets	\$ 447,060	\$ 407,215
LIABILITIES AND DEFERRED INFLOWS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 114,240	\$ 111,569
Unearned tax revenues	104	-
Subtotal liabilities	114,344	111,569
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable, net	332,716	295,646
Total liabilities and deferred inflows	\$ 447,060	\$ 407,215

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, 2019

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>
a. Summary of Significant Accounting Policies	Note a	48
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d. Jointly Governed Organization	Note d	94
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h. Restatements	Note h	96

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, 2019
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 appointed the board members overseeing the operations of the TDA. The TDA was required by State Statute to collect the County's occupancy taxes on overnight lodging facilities and expend the funds on tourism promotion. The TDA disbanded when the County repealed the tax effective July 1, 2019.	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 separately 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 assistance. The primary expenditures are for education, emergency services, health services, law enforcement functions, and social services (including public assistance). Some activities of the County's General Fund are separately budgeted in sub-funds for Vehicle Purchases, Property Tax Revaluation, Federal Forfeitures and State Substance Tax, Fire Protection, Court Facilities, Recreation Support, and Haltiwanger Retreat. 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. Actually, for presentation purposes, all of these sub-funds are shown as departments or parts of 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 Support 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 1) to transfer \$3,000,000 of reserves from the General Fund to the Educational Facilities Fund to aid in financing the construction of a new high school; 2) to accept State grants for expansion of social services programs, public health services, and other activities; and 3) 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 of Resources, 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 North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio is a 2a-7 fund maintaining an AAAM rating from S&P. The NCCMT Term Portfolio is a bond fund, has no rating and has a duration of .11 years. 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 also 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.

In the Fund Financial Statements of governmental funds, this balance (net of allowances for uncollectible accounts) is offset by a deferred inflow of resources labeled as net property taxes receivable.

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 pension plans during the fiscal year and other pension-related deferrals.

In addition to liabilities, the Statement of Net Position also reports a separate section for the deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenues until then. The County has three items that meet this criterion – net property taxes receivable, unearned tax revenues, and other 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 – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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.

G. Reclassifications

Certain amounts from the prior year presentation have been reclassified to conform with current year presentation. Such amounts had no effect on changes in net position, net position or fund balance.

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, 2019, the County's deposits had a carrying amount of \$4,498,868 and a bank balance of \$4,979,986. Of the bank balance, \$326,957 was covered by federal depository insurance and the remaining \$4,653,029 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, 2019, the County had \$1,705 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 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, 2019, the TDA's deposits had a carrying amount of \$173,043 and a bank balance of \$173,043. At June 30, 2018, the TDA's deposits had a carrying amount of \$152,156 and a bank balance of \$152,156. For both years, the entire bank balance was covered by federal depository insurance. At June 30, 2019 and June 30, 2018, the TDA had \$0 cash on hand.

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

Type of Restricted Cash	Corresponding Fund	June 30, 2019	June 30, 2018
Governmental activities:			
Property tax revaluation	General Fund	\$ 407,405	\$ 403,400
Federal and state forfeitures	General Fund	67,278	62,780
Court facilities fees	General Fund	153,210	133,617
Recreation support program	General Fund	145,776	171,929
Unspent loan proceeds	Educational Facilities Fund	37,870,075	66,310,648
Total governmental activities		38,643,744	67,082,374
Total restricted cash		\$ 38,643,774	\$ 67,082,374

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. On June 30, 2019, the amount held by the State was \$688,183. As of June 30, 2018, these resources amount to \$705,060. 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, 2019 and June 30, 2018, the annual withdrawal was \$250,000.

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. As of June 30, 2019, the NCCMT Term Portfolio has a duration of .11 years. 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, 2019, the County's investment balances and maturities are as follows, including unspent loan proceeds:

Investment Type	Fair Market		Due to Mature Within:			
	Value (FY19)	0 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	
U.S. Treasury notes	\$ 18,018,060	\$ 12,028,950	\$ 5,989,110	-	-	-
Commercial paper	7,980,440	7,980,440	-	-	-	-
NCCMT Government Portfolio	21,291,101	21,291,101	-	-	-	-
NCCMT Term Portfolio	23,047,037	23,047,037	-	-	-	-
Duke Energy Premier Notes	211,366	211,336	-	-	-	-
Total Investments	\$ 70,548,004	\$ 64,558,894	\$ 5,989,110	\$ -	\$ -	-

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

Investment Type	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	\$ 35,673,870	-	20,852,940	14,820,930	-	-
Commercial paper	29,934,172	15,004,941	14,929,231	-	-	-
NCCMT Government Portfolio	5,974,741	n/a	n/a	n/a	n/a	n/a
NCCMT Term Portfolio	22,518,330	22,518,330	-	-	-	-
Duke Energy Premier Notes	206,218	206,218	-	-	-	-
Total Investments	\$ 94,307,331	\$ 37,729,489	\$ 35,782,171	\$ 14,820,930	\$	-

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, 2019 and June 30, 2018, 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 and the previous 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 year ended June 30, 2019, due to the investment of unspent loan proceeds, the County has invested 23.6% 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 6.5% or greater of the total portfolio with any single issuer.

For the year ended June 30, 2018, due to the investment of unspent loan proceeds, the County had invested 36.1% of the total portfolio in U.S. Treasury Notes. The County had 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, 2019:

Tax Year Levied	Additional Tax	Interest	FY19 Total
2018	\$ 713,105	\$ 41,004	\$ 754,109
2017	701,663	103,496	805,159
2016	688,636	163,552	852,188
2015	680,192	222,764	902,956
Total	\$ 2,783,596	\$ 530,816	\$ 3,314,412

On June 30, 2018, 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:

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

4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2019 are reported net of an allowance for uncollectible accounts as follows:

	Taxes & Other Assessments	Accounts	Due from Other Governments	FY19 Total
Governmental activities:				
General Fund	\$ 1,788,418	\$ 2,611,488	\$ 212,543	\$ 4,612,449
Educational Facilities Fund	-	-	414,795	414,795
Nonmajor governmental funds	30,272	156,560	359,639	546,471
Total receivables	1,818,690	2,768,048	986,977	5,573,715
General Fund	(849,068)	(98,940)	-	(948,008)
Nonmajor governmental funds	(12,817)	-	-	(12,817)
Total allowances for uncollectible accounts	(861,885)	(98,940)	-	(960,825)
Total governmental activities	\$ 956,805	\$ 2,669,108	\$ 986,977	\$ 4,612,890
Business-type activities:				
Water System Fund, receivables	\$ -	\$ 1,431,043	\$ 267,046	\$ 1,698,089
Water System Fund, allowances	-	(559,957)	-	(559,957)
Total business-type activities	\$ -	\$ 871,086	\$ 267,046	\$ 1,138,132

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

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.

Capital asset activity, by expenditure function, for the year ended June 30, 2019 was as follows for Governmental Activities:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	FY19 Ending Balance
General Government	\$ 4,956,845	\$ 59,799	\$ (5,883)	\$ (441,340)	\$ 4,569,421
Transportation	3,869,593	682,239	(2,436)	34,150	4,583,546
Public Safety	19,739,586	681,128	(111,865)	56,425	20,365,274
Human Services	1,140,458	44,895	-	279,732	1,465,085
Environmental Protection	139,076	24,839	-	-	163,915
Education (Schools Capital)	28,727,779	34,532,489	-	-	63,260,268
Economic and Physical Dev.	3,714,714	-	-	-	3,714,714
Cultural and Recreational	644,366	-	-	71,033	715,399
	62,932,417	36,025,389	(120,184)	-	98,837,622
Less Accumulated Depreciation:					
General Government	(3,279,386)	(117,673)	-	(2,601)	(3,399,660)
Transportation	(592,601)	(71,425)	-	-	(664,026)
Public Safety	(7,781,729)	(816,812)	111,865	20,210	(8,466,466)
Human Services	(724,059)	(39,946)	-	(2,601)	(766,606)
Environmental Protection	(73,382)	(3,345)	-	-	(76,727)
Education (Schools Capital)	(3,726,756)	(421,327)	-	-	(4,148,083)
Economic and Physical Dev.	(1,016,185)	(238,659)	-	(15,008)	(1,269,852)
Cultural and Recreational	(454,900)	(9,331)	-	-	(464,231)
Total Accumulated Deprec.	(17,648,998)	(1,718,518)	111,865	-	(19,255,651)
Total Capital Assets, Net	\$ 45,283,419	\$ 34,306,871	\$ (8,319)	\$ -	\$ 79,581,971

Capital asset activity, by asset class, for the year ended June 30, 2019 is as follows for Governmental Activities.

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	FY19 Ending Balance
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 4,489,478	\$ -	\$ -	\$ 499,965	\$ 4,989,443
Construction in Progress	9,704,338	34,838,783	(8,319)	(499,965)	44,034,837
Subtotal	14,193,816	34,838,783	(8,319)	-	49,024,280
Capital Assets Being Depreciated:					
Buildings and Improvements	33,481,069	25,103	-	-	33,506,172
Airport Infrastructure	2,875,769	-	-	-	2,875,769
Vehicles and Motorized Equipment	7,290,233	700,693	(111,865)	-	7,879,061
Other Equipment	5,091,530	460,810	-	-	5,552,340
Subtotal	48,738,601	1,186,606	(111,865)	-	49,813,342
Total Capital Assets	62,932,417	36,025,389	(120,184)	-	98,837,622
Less Accumulated Depreciation:					
Buildings and Improvements	(11,004,029)	(808,521)	-	-	(11,812,550)
Airport Infrastructure	(519,016)	(70,096)	-	-	(589,112)
Vehicles and Motorized Equipment	(4,493,614)	(369,421)	111,865	-	(4,751,170)
Other Equipment	(1,632,339)	(470,480)	-	-	(2,102,819)
Total Accumulated Deprec.	(17,648,998)	(1,718,518)	111,865	-	(19,255,651)
Total Capital Assets, Net	\$ 45,283,419	\$ 34,306,871	\$ (8,319)	\$ -	\$ 79,581,971

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	(34,605)	17,903	1,140,458
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	(185,413)	(47,121)	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)	(642,791)	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)	(3,726,756)
Economic and Physical Dev.	(792,304)	(241,659)	17,778	-	(1,016,185)
Cultural and Recreational	(445,568)	(9,331)	-	-	(454,900)
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	\$ (11,427)	\$ (15,635)	\$ 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	(163,717)	(20,550)	7,290,233
Other Equipment	5,101,832	11,394	(21,696)	-	5,091,530
Subtotal	48,271,263	536,491	(185,413)	116,259	48,738,601
Total Capital Assets	51,829,771	11,335,180	(185,413)	(47,121)	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	(1,343,523)	(309,957)	21,142	-	(1,632,339)
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	\$ (11,427)	\$ (15,635)	\$ 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, 2019 is as follows for Business-Type Activities.

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Additions	Retirements	Transfers	FY19 Ending Balance
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 110,892	\$ 9,960	\$ -	\$ -	\$ 120,852
Construction in Progress	255,465	282,482	-	(6,000)	531,947
Subtotal	366,357	292,442	-	(6,000)	652,799
Capital Assets Being Depreciated:					
Buildings and Improvements	5,568,132	-	-	-	5,568,132
Lines and Related Infrastructure	35,918,814	-	-	-	35,918,814
Vehicles and Motorized Equipment	470,390	-	(18,038)	-	452,352
Other Equipment	4,150,604	45,356	-	6,000	4,201,960
Subtotal	46,107,940	45,356	(18,038)	6,000	46,141,258
Total Capital Assets	46,474,297	337,798	(18,038)	-	46,794,057
Less Accumulated Depreciation:					
Buildings and Improvements	(4,650,082)	(137,842)	-	-	(4,787,924)
Lines and Related Infrastructure	(15,376,680)	(883,756)	-	-	(16,260,436)
Vehicles and Motorized Equipment	(281,600)	(42,939)	18,038	-	(306,501)
Other Equipment	(1,185,657)	(117,778)	-	-	(1,303,435)
Total Accumulated Deprec.	(21,494,019)	(1,182,315)	18,038	-	(22,658,296)
Total Capital Assets, Net	\$ 24,980,278	\$ (844,517)	\$ -	\$ -	\$ 24,135,761

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	-	(360,460)	366,357
Capital Assets Being Depreciated:					
Buildings and Improvements	5,557,195	-	-	10,937	5,568,132
Lines and Related Infrastructure	35,513,283	29,435	-	376,096	35,918,814
Vehicles and Motorized Equipment	482,100	60,433	(92,693)	20,550	470,390
Other Equipment	4,162,156	-	(11,552)	-	4,150,604
Subtotal	45,714,734	89,868	(104,245)	407,583	46,107,940
Total Capital Assets	46,160,531	370,888	(104,245)	47,123	46,474,297
Less Accumulated Depreciation:					
Buildings and Improvements	(4,501,304)	(137,841)	-	(10,937)	(4,650,082)
Lines and Related Infrastructure	(14,500,634)	(876,046)	-	-	(15,376,680)
Vehicles and Motorized Equipment	(314,903)	(37,188)	91,041	(20,550)	(281,600)
Other Equipment	(1,080,263)	(116,946)	11,552	-	(1,185,657)
Total Accumulated Deprec.	(20,397,104)	(1,168,021)	102,593	(31,487)	(21,494,019)
Total Capital Assets, Net	\$ 25,763,427	\$ (797,133)	\$ (1,652)	\$ 15,636	\$ 24,980,278

6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2019:

Project Name	FY19 Spent-To-Date	Remaining Commitments
Construction of Montgomery Central High School	\$ 36,880,791	\$ 23,542,314
Construction of Aviation Fueling Station	154,778	32,972
Installation of Airport's Southern Perimeter Fence	297,013	168,548
Total	\$ 37,332,582	\$ 23,743,834

The County was 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
Construction of Montgomery Central High School	5,518,952	55,665,748
Total	\$ 5,874,772	\$ 55,671,631

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, 2019 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	FY19 Total
Governmental Activities:				
General Fund	\$ 673,580	\$ 354,709	\$ 2,152	\$ 1,030,441
Educational Facilities Fund	11,120,092	-	-	11,120,092
Nonmajor Governmental Funds	324,648	-	-	324,648
Total Governmental Activities	\$ 12,118,320	\$ 354,709	\$ 2,152	\$ 12,475,181
Business-Type Activities:				
Water System Fund	\$ 99,444	\$ 19,116	\$ -	\$ 118,560
Fiduciary Activities:				
Agency Funds	\$ -	\$ -	\$ 114,240	\$ 114,240

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

2. Unearned Revenues

Included in the Golden LEAF-Aseptia Fund is unearned revenue of \$0 and \$1,376,779 as of June 30, 2019 and 2018, respectively. This amount represented a refundable grant from Golden LEAF Foundation that was contingent upon a local company creating 500 jobs within the County by December 31, 2017. The company agreed to accept these funds as a loan, using purchased equipment as collateral, and to repay to the County the amount of the original loan over five (5) years. When the job quota was not reached, the loan amount became due to Golden LEAF, not the County; therefore, the amounts received over the past few years were not recognized as revenue. During the year ended June 30, 2019, amounts paid to Golden LEAF to satisfy the obligation totaled \$4,255,496 which includes additional principal, interest and penalties received from the company during the year ended June 30, 2019 in order to satisfy the obligation. Other amounts recorded in unearned revenues include \$626,630 and \$593,114, as of June 30, 2019 and 2018, respectively, primarily for monies received relating to health services for which the related purpose has not been met.

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

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

4. 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 Finance Director and TDA Finance Officer are individually bonded for \$50,000 each. In addition, the Sheriff and Register of Deeds, both elected positions, are individually bonded for \$10,000 each. The Tax Collector is also individually bonded for \$25,000. 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.

5. 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 refunds required, if any, 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, 2019, 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.

6. 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, law enforcement officers (LEOs), firefighters, and rescue squad workers of 905 participating local government entities. According to Article 3 of NCGS 128, the North Carolina General Assembly has the sole 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, or at www.osc.nc.gov.

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 and rescue squad workers). 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 investment gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Contributions to the LGERS pension plan from the County are \$582,768 for the year ended June 30, 2019. For the years ended June 30, 2018 and 2017, the County's contributions to LGERS were \$551,436 and \$542,605, 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, 2019, was 8.50% of compensation for LEOs and 7.75% 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 ended June 30, 2018 and 2017 were set at 8.25% and 8.00%, respectively, of compensation for LEOs and 7.50% and 7.25%, respectively, for general employees.

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, 2019, the County reports a liability of \$2,621,912 for its proportionate share of the LGERS net pension liability. The LGERS net pension liability was measured as of June 30, 2018. 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, 2017. The LGERS total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2019, the County's proportion was 0.11052% (measured as of June 30, 2018), which was a decrease from of 0.00736% from its proportion as of June 30, 2018 of 0.11788% (measured as of June 30, 2017). This presentation at June 30, 2019 is the fifth presentation of this information in the County's annual financial statements.

For the year ended June 30, 2019, the County recognized pension expense of \$700,495. At June 30, 2019, 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, 2019:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2018	\$ -	\$ 582,768
Difference between projected and actual costs	13,573	404,499
Difference between projected and actual earnings	-	359,910
Changes in assumptions	-	695,754
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	100,519	-
Total items	\$ 114,092	\$ 2,042,931

The \$582,768 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2018 will be recognized as a decrease of the net pension liability in the year ending June 30, 2020.

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:

<u>Year Ending June 30</u>	<u>Pension Expense</u>
2020	\$ 665,336
2021	425,288
2022	59,142
2023	196,305
2024	-
Thereafter	-

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 decrease from its 0.12303% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$598,603. At June 30, 2018, 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, 2018:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2017	\$ -	\$ 551,436
Difference between projected and actual costs	50,977	103,747
Difference between projected and actual earnings	-	437,256
Changes of assumptions	-	257,191
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 was to 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 were to be recognized as a component of pension expense in subsequent years as follows:

<u>Year Ending June 30</u>	<u>Pension Expense</u>
2019	\$ 72,570
2020	501,652
2021	245,417
2022	(145,542)
2023	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2017 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 8.10% 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 7.00% per year, including an inflation component of 3.00%.

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 actuarial assumptions used in these valuations dated December 31, 2017 and December 31, 2016 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 based on the RP-2014 Total Data Set for Health Annuitants Mortality Table 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).

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

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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 3.05%. 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, 2019 was 7.00%, down from 7.20% used to measure TPL as of June 30, 2018, and 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, 2019, the following presents the County's proportionate share of the LGERS net pension liability calculated using the discount rate of 7.00%, 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 6.00%) or one percentage point higher (which is a rate of 8.00%) than the discount rate applied:

for the year ended June 30, 2019	Lower Discount Rate of 6.00%	Current Discount Rate of 7.00%	Higher Discount Rate of 8.00%
County's proportionate share of LGERS NPL (NPA)	\$ 6,298,061	\$ 2,621,912	\$ (449,935)
where NPL (NPA) represents net pension liability (or net pension asset)			

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)			

Pension plan fiduciary net position. Detailed information about the LGERS pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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	Dec 31, 2018	Dec 31, 2017
Retirees currently receiving benefits	7	6
Terminated plan members entitled to but not yet receiving benefits	-	1
Active plan members:		
Vested	18	17
Non-Vested	12	11
Total Members	37	35

Summary of Significant Accounting Policies & Basis of Accounting. The County's contributions to the plan are recognized when due and when a formal commitment has been made to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. However, no funds are set aside to pay benefits and administration costs; instead, as these expenditures come due, payments are made through appropriations in the General Fund operating budget that is maintained on the modified accrual basis of accounting. The County has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement No. 73.

Actuarial Assumptions. The total pension liability in these actuarial valuations for December 31, 2017 and December 31, 2016 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 both December 31, 2017 and December 31, 2016. 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 3.64% per year as of December 31, 2017, which is based on the yield of the S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2018. 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, 2017. 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 LEOSA benefit payments and administration expenses on a pay-as-you-go basis through appropriations made in the General Fund operating budget. Therefore, without advanced contributions, the County has not setup an irrevocable pension trust plan. Members made no contributions. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The County's contribution to LEOSA for the years ended June 30, 2019, 2018, and 2017 totaled \$63,331, \$62,308, and \$51,681, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to LEOSA Pension. At June 30, 2019, the County reports a total pension liability of \$619,499. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. This presentation at June 30, 2019 is the third presentation of this information in the County's annual financial statements.

For the year ended June 30, 2019, the County recognizes pension expense of \$31,257. At June 30, 2019, 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 year ended June 30, 2019:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after December 31, 2018	\$ -	\$ 32,878
Administrative expenses after December 31, 2018	-	653
Difference between projected and actual experience	54,239	-
Changes of assumptions and other inputs	24,593	22,642
Total items	\$ 78,832	\$ 56,173

The \$33,531 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, 2020. As of June 30, 2019, 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
2020	\$ 6,289	\$ (20,865)	\$ (14,576)
2021	6,289	(20,865)	(14,576)
2022	6,289	(20,705)	(14,416)
2023	3,775	(13,846)	(10,071)
2024	-	(2,551)	(2,551)
Thereafter	-	-	-

At June 30, 2018, the County reported 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.

For the year ended June 30, 2018, the County recognized pension expense of \$42,575. At June 30, 2018, 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 year ended June 30, 2018:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after December 31, 2017	\$ -	\$ 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 \$37,443 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date was to be recognized as a decrease of 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 were to 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	-	-	-

Sensitivity of the County's total pension liability to changes in the discount rate. For the reporting year ended June 30, 2019, the following presents the County's total pension liability calculated using the discount rate of 3.64%, 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 (2.64%) or 1-percentage-point higher (4.64%) than the discount rate applied:

For the year ended June 30, 2019	Lower Discount Rate of 2.64%	Current Discount Rate of 3.64%	Higher Discount Rate of 4.64%
LEOSSA total pension liability	\$ 663,616	\$ 619,499	\$ 579,267

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

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, 2017 and December 31, 2016 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, 2018	December 31, 2017
Total Pension Liability (TPL) as of beginning of calendar year	\$ 679,920	\$ 714,648
Changes for the year:		
Service cost (aka Entry Age Normal Cost)	24,777	22,760
Interest (at the Discount Rate)	20,433	26,466
Changes in benefit terms	-	-
Benefit payments	(66,620)	(57,995)
Difference between projected and actual experience	(18,338)	(61,179)
Changes of assumptions and other inputs	(20,673)	35,220
Other changes	-	-
Net changes	(60,421)	(34,728)
Total Pension Liability (TPL) as of end of calendar year	619,499	679,920
Payroll of covered employees	982,660	991,893
TPL as a % of covered-employee payroll	63.043%	68.547%

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.16% at December 31, 2017 to 3.64% at December 31, 2018.

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 year ended June 30, 2019 were \$109,378, which consisted of \$51,490 from the County and \$57,888 from the law enforcement officers. Contributions to SRIP for the years ended June 30, 2018 and 2017 were \$104,641 and \$104,049, respectively, which consisted of \$50,011 and \$48,486, respectively, from the County and \$54,630 and \$55,553, 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, 2019 were \$370,429, which consisted of \$133,720 from the County and \$236,709 from employees. Contributions to the 401(k) plan for the years ended June 30, 2018 and 2017 were \$351,285 and \$309,440, respectively, which consisted of \$127,022 and \$117,193, respectively, from the County and \$224,263 and \$192,148, 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, 2019 is \$900. For the years ended June 30, 2018 and 2017, contributions were \$920 and \$1,440, 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 \$2,031 for the year ended June 30, 2019. Contributions to the RODSPF pension plan from the County were \$2,165 and \$1,922 for the years ended June 30, 2018 and 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to RODSPF Pension. At June 30, 2019, the County reports an asset of \$41,894 for its proportionate share of the RODSPF net pension asset. The RODSPF net pension asset was measured as of June 30, 2018. The RODSPF total pension liability used to calculate the RODSPF net pension asset was determined by an actuarial valuation of the entire fund as of December 31, 2017. The RODSPF total pension liability was then rolled forward to the measurement date of June 30, 2018 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 0.2529%, which was an increase from its 0.2424% proportion measured as of June 30, 2017. This presentation at June 30, 2019 is the fifth presentation of this information in the County's financial statements.

For the year ended June 30, 2019, the County recognized pension expense of \$7,585. At June 30, 2019, 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, 2019:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to pension plan after June 30, 2018	\$ -	\$ 2,031
Difference between projected and actual costs	1,912	369
Difference between projected and actual earnings	-	6,678
Changes in assumptions	-	1,970
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	1,517	482
Total items	\$ 3,429	\$ 11,530

The \$2,031 being reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2018 will be recognized as an increase of the net pension asset in the year ended June 30, 2020. 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
2020	\$ 3,321
2021	(255)
2022	1,968
2023	1,037
2024	-
Thereafter	-

At June 30, 2018, the County reported 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 fund 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, 2017, the County's proportion is 0.2424%, which was a decrease from its 0.2484% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$6,626. At June 30, 2018, 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, 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	58	986
Total items	\$ 191	\$ 14,361

The \$2,165 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date of June 30, 2017 was to 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 related to pensions were to 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	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the actuarial valuation for the years ended December 31, 2017 and 2016 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, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates applied to the health status of 'healthy' also contain a provision to reflect a projection of future improvements in mortality (via expectation of longer lives).

The actuarial assumptions used in the valuations for the years ended December 31, 2017 and 2016 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, 2019 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 the last three (3) 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. For the reporting year ended June 30, 2019, the following presents the County's proportionate share of the RODSPF net pension asset calculated using the current 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, 2019	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)	\$ (33,031)	\$ (41,894)	\$ (49,369)
where NPL (NPA) represents net pension liability (or net pension asset)			

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 applied discount rate:

for the year ended June 30, 2018	Lower Discount Rate of 2.75%	Applied 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)			

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. 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, 2018 and June 30, 2017 (which are the dates of the latest actuarial valuations), the OPEB-RHC's membership consisted of:

Member Category	June 30, 2018	June 30, 2017
Retirees currently receiving benefits	47	47
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members:		
Vested	49	49
Non-vested and eligible for RHC benefits	65	66
Non-vested and non-eligible for RHC benefits	94	94
Total members	255	256

Total OPEB Liability: The County's total OPEB liability recorded as of June 30, 2019 of \$4,789,684 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date. For the measurement date of June 30, 2017, the County's total OPEB liability was determined by an actuarial valuation to be \$4,872,168.

Actuarial assumptions and other inputs. The total OPEB liability in both the June 30, 2018 and June 30, 2017 actuarial valuations 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 3.89% and 3.56%, respectively. The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability (TOL):

Schedule of Changes in OPEB-RHC Total OPEB Liability (TOL):	June 30, 2018	June 30, 2017
Total OPEB Liability (TOL) as of beginning of fiscal year	\$ 4,872,168	\$ 5,079,910
Changes for the year:		
Service cost (aka Entry Age Normal Cost)	127,191	138,063
Interest on TOL and Cash Flows (at the Discount Rate)	169,878	149,803
Changes in benefit terms	-	-
Benefit payments	(202,424)	(207,667)
Difference between projected and actual experience	(11,396)	8,095
Changes of assumptions and other inputs	(165,733)	(296,036)
Net changes	(82,484)	(207,742)
Total OPEB Liability (TOL) as of end of fiscal year	\$ 4,789,684	\$ 4,872,168
Payroll of covered employees	4,040,533	4,040,533
TOL as a % of covered-employee payroll	118.541%	120.582%

The actuarial assumptions used in the June 30, 2018 and June 30, 2017 valuations 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 for the year ended June 30, 2019, 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 (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

for the year ended June 30, 2019	Lower Discount Rate of 2.89%	Current Discount Rate of 3.89%	Higher Discount Rate of 4.89%
County's proportionate share of OPEB-RHC total OPEB liability (or total OPEB asset)	\$ 5,317,292	\$ 4,789,684	\$ 4,332,478

The following presents the total OPEB liability of the County for the year ended June 30, 2018, 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 applied discount rate:

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

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. For the year ended June 30, 2019, 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, 2019	1% Lower Rates	Current Rates	1% Higher Rates
County's proportionate share of OPEB-RHC total OPEB liability (or total OPEB asset)	\$ 4,415,181	\$ 4,789,684	\$ 5,228,238

For the year ended June 30, 2018, 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 applied healthcare cost trend rates:

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the County recognized OPEB expense of \$226,369. At June 30, 2019, 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, 2019:	Deferred Inflows of Resources	Deferred Outflows of Resources
Contributions to OPEB plan after June 30, 2018	\$ -	\$ 179,805
Administrative expenses after June 30, 2018	-	9,201
Difference between projected and actual costs	9,487	5,383
Changes in assumptions and other inputs	334,834	-
Total items	\$ 344,321	\$ 194,389

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

The \$189,006 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 at the next measurement date of 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 in the following measurement periods:

Year Ending June 30	Pension Expense
2019	\$ (77,901)
2020	(77,901)
2021	(77,901)
2022	(76,456)
2023	(28,779)
Thereafter	-

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 in 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 at the next measurement date of June 30, 2018. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows in the following measurement periods:

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, and Assets

The following tables present information related to the pension expense and proportionate share of actuarially-determined liabilities for all pension plans for the year indicated:

for the year ended June 30, 2019	LGERS	LEOSSA	RODSPF	Total
Governmental activities:				
Pension Expense	\$ 666,099	\$ 31,257	\$ 7,585	\$ 704,941
Pension Liability (Asset)	\$ 2,460,251	\$ 619,499	\$ (41,894)	\$ 3,037,856
Business-type activities:				
Pension Expense	\$ 34,396	\$ -	\$ -	\$ 34,396
Pension Liability (Asset)	\$ 161,661	\$ -	\$ -	\$ 161,661
Proportionate share of the NPL (NPA)	0.11052%	not applicable	0.25294%	
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)	\$ 1,667,735	\$ 679,920	\$ (41,380)	\$ 2,306,275
Business-type activities:				
Pension Expense	\$ 43,151	\$ -	\$ -	\$ 43,151
Pension Liability (Asset)	\$ 133,145	\$ -	\$ -	\$ 133,145
Proportionate share of the NPL (NPA)	0.11788%	not applicable	0.24243%	

i. Pension-Related Deferred Outflows of Resources

The following tables present information related to the deferred outflows of resources as it relates to pensions for the year indicated:

for the year ended June 30, 2019	LGERS	LEOSSA	RODSPF	Total
Deferred Outflows of Resources:				
Governmental activities:				
Contributions to plan after measurement date	\$ 546,836	\$ 32,878	\$ 2,031	\$ 581,745
Administrative expenses after measurement date	-	653	-	653
Difference between projected and actual costs	379,559	-	369	379,928
Difference between projected and actual earnings	337,719	-	6,678	344,397
Changes in assumptions	652,855	22,642	1,970	677,467
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	-	-	482	482
Subtotals	1,916,969	56,173	11,530	1,984,672
Business-type activities:				
Contributions to plan after measurement date	35,932	-	-	35,932
Difference between projected and actual costs	24,940	-	-	24,940
Difference between projected and actual earnings	22,191	-	-	22,191
Changes in assumptions	42,899	-	-	42,899
Subtotals	125,962	-	-	125,962
Totals	\$ 2,042,931	\$ 56,173	\$ 11,530	\$ 2,110,634

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

j. Pension-Related Deferred Inflows of Resources

The following tables present information related to the deferred inflows of resources as it relates to pensions for the year indicated:

for the year ended June 30, 2019	LGERS	LEOSSA	RODSPF	Total
Deferred Inflows of Resources:				
Governmental activities:				
Difference between projected and actual costs	\$ 12,736	\$ -	\$ 1,912	\$ 14,648
Difference between projected and actual earnings	-	54,239	-	54,239
Changes in assumptions	-	24,593	-	24,593
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	94,321	-	1,517	95,838
Subtotals	107,057	78,832	3,429	189,318
Business-type activities:				
Difference between projected and actual costs	837	-	-	837
Both (1) changes in proportion and (2) difference between proportional share and actual contributions	6,198	-	-	6,198
Subtotals	7,035	-	-	7,035
Totals	\$ 114,092	\$ 78,832	\$ 3,429	\$ 196,353

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

7. 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 to \$13,648 and maturity dates from June 2019 to July 2035.

Future minimum lease payments under the operating lease agreements are as follows:

Year Ending June 30	Minimum Lease Payments
2020	\$ 97,901
2021	96,116
2022	94,975
2023	94,975
2024	94,975
Thereafter	376,760
Total	\$ 855,702

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 in March 2017 for E-911 communications equipment and requires annual payments of \$94,556 through March 2022. 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.

At June 30, 2019, the leased equipment was valued at the following:

Description	Cost	Accumulated Depreciation	Net Book Value
E-911 Equipment	\$ 409,379	\$ 151,879	\$ 257,500

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

Year Ending June 30	Minimum Lease Payments
2020	\$ 94,556
2021	94,556
2022	94,556
Subtotal	283,668
Less: amount representing interest	(26,168)
Total	\$ 257,500

c. Certificates of Participation

In both December 2014 and January 2015, the County sold direct placement 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. These assets are pledged as collateral for these loans.

With the December 2014 issue of \$8,353,601, the financing agreement required 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 was due and was 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 required 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 was due and was 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 to the investors 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%. The new high school serves as collateral for the loan.

Each year when due, principal and interest payments for all debt will be appropriated in the County's General Fund or 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 *g. Total Indebtedness*. In the event of a default, the County agrees to pay the holder, or demand, interest on any and all amounts due and owing by the County under the certificates of participation agreements.

d. Installment Purchase Loans

All installment purchase loans are with financial institutions in the State. The County has entered into contracts to help finance the costs of various projects, including the purchase of buildings, vehicles, and renovations of existing buildings. The purchased assets and the improved assets are pledged as collateral. In September 2012, the County entered a direct placement 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 ended December 17, 2017. In March 2013, the County entered a direct borrowing 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 ended February 28, 2018. In June 2013, the County entered into a direct borrowing 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 ended May 27, 2018. In September 2013, the County entered into a direct borrowing financing agreement for \$254,930 that requires five (5) annual payments of \$53,575 of principal and interest at 1.65% beginning September 20, 2014 and ended 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 *g. 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 into a direct placement 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 *g. Total Indebtedness*. In the event of a default, the County agrees to pay the holder, on demand, interest on any and all amounts due and owing by the County under the installment purchase loan agreements.

e. State Revolving Loans

The County has entered into three separate Drinking Water Revolving Fund loan agreements directly with the North Carolina Department of Environmental Quality. The resulting improvements to infrastructure are pledged as collateral. 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 *g. Total Indebtedness*. In the event of default, any monies due to the County from the State of North Carolina may be withheld and applied to the payment of the loan.

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, 2019 and, for comparison, at June 30, 2018:

	Outstanding at June 30, 2019	Outstanding at June 30, 2018
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%	\$ 5,822,579	\$ 6,821,488
\$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%	3,846,089	4,500,971
\$67,675,000 - School Construction, Series 2018 COPS; due in whole September 1, 2020; interest at 3.00%	67,675,000	67,675,000
Subtotal COPS	77,343,668	78,997,459
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%	1,879,522	2,088,358
\$254,930 - Vehicle Purchases, 2013 loan for 59 months; due in annual installments of \$53,575 through August 20, 2018; interest at 1.65%	-	52,689
Subtotal IPL	1,879,522	2,141,047
Total outstanding loans serviced by governmental activities	79,223,190	81,138,506

	Outstanding at June 30, 2019	Outstanding at June 30, 2018
Public Utilities 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)	\$ 2,300,380	\$ 2,555,978
\$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)	724,230	796,654
\$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)	1,766,590	1,877,001
Subtotal DWSRL	4,791,200	5,229,633
Public Utilities Fund: Installment Purchase Loans (IPL)		
\$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%	4,474,490	4,722,276
Subtotal IPL	4,474,490	4,722,276
Total outstanding loans serviced by business-type activities	9,265,690	9,951,909
Total outstanding loans serviced	\$ 88,488,880	\$ 91,090,415

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

Year Ending June 30	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	208,720	70,217,215	1,492,398
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	1,800,345	122,226	729,615	157,653	2,529,960	279,879
2025-2029	2,412,482	126,875	3,550,661	516,019	5,963,143	642,894
2030-2034	-	-	2,048,461	131,872	2,048,461	131,872
2035-2039	-	-	110,412	-	110,412	-
Total	\$ 79,223,190	\$ 4,271,109	\$ 9,265,690	\$ 1,606,427	\$ 88,488,880	\$ 5,877,536

Debt Related to Capital Activities - Of the total principal shown for Governmental Activities, all \$79,223,190 relates to assets to which the County holds title. Unspent restricted cash related to this debt for Governmental Activities amounts to \$37,870,075, all of which relates to a construction loan for a new high school.

h. 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.

i. Conduit Debt Obligations

Montgomery County Industrial Facility and Pollution Control Authority (the "Authority") may issue industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds would be secured by the properties financed as well as letters of credit and would be payable solely from payments received from the private businesses involved. Ownership of the acquired facilities would be in the name of the private business served by the bond issuance. As of June 30, 2019, 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.

j. Legal Debt Margin

The County has intentionally not used short-term borrowings or interest rate swaps. At June 30, 2019 and 2018, the County had an amount of bonds authorized but un-issued of \$-0- and \$-0-, respectively, and a legal debt margin of \$170,138,307 and \$162,232,032, respectively. The following is the computation of the legal debt margin for these years:

Description	Balance	Balance
	June 30, 2019	June 30, 2018
Real property	\$ 2,499,564,396	\$ 2,476,830,577
Personal property	617,454,311	565,301,149
Real and personal property	3,117,018,707	3,042,131,726
Percentage factor	8.00%	8.00%
Legal debt limit	249,361,497	243,370,538
Total long-term non-utility borrowings	79,223,190	81,138,506
Legal debt margin	170,138,307	162,232,032

k. Long-Term Obligation Activity

The following tables summarize the changes in the County's long-term obligations for the fiscal year ended June 30, 2019 and the interest and principal payable in the following fiscal year:

Governmental activities:	Balance	Additions	Deductions	Balance	Due by
	June 30, 2018			June 30, 2019	June 30, 2020
Certificates of participation	\$ 78,997,459	\$ -	\$ (1,653,790)	\$ 77,343,669	\$ 1,643,671
Installment purchases loans*	2,141,038	-	(261,515)	1,879,523	208,836
Capital leases*	335,292	-	(77,792)	257,500	81,681
Unamortized bond premium	1,259,043	-	(581,097)	677,946	581,097
Compensated absences	501,088	18,079	-	519,167	77,866
Net pension liability-LGERS	1,661,607	798,644	-	2,460,251	n/a
Total pension liability-LEOSSA	679,920	-	(60,421)	619,499	n/a
Total OPEB liability-OPEB-RHC	4,872,169	-	(82,485)	4,789,684	n/a
Total governmental activities	\$ 90,447,616	\$ 816,723	\$ (2,717,100)	\$ 88,547,239	\$ 2,593,151

Business-type activities:	Balance	Additions	Deductions	Balance	Due by
	June 30, 2018			June 30, 2019	June 30, 2020
Drinking water state loans*	\$ 5,229,633	\$ -	\$ (438,433)	\$ 4,791,200	\$ 438,432
Installment purchases loans*	4,722,276	-	(247,786)	4,474,490	255,330
Compensated absences	56,374	-	(20,886)	35,488	5,323
Net pension liability-LGERS	139,273	22,388	-	161,661	n/a
Total business-type activities	\$ 10,147,556	\$ 22,388	\$ (707,105)	\$ 9,462,839	\$ 699,085
Total government-wide	\$100,595,172	\$ 839,111	\$ (3,424,205)	\$ 98,010,078	\$ 3,292,236

* These loans are direct placements with a financial institution in the State. As such, these loan proceeds were not derived from sales to investors.

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 following fiscal year:

	Balance (as restated)			Balance	Due by
Governmental activities:	June 30, 2017	Additions	Deductions	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

	Balance (as restated)			Balance	Due by
Business-type activities:	June 30, 2017	Additions	Deductions	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	247,786
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

* These loans are direct placements with a financial institution in the State. As such, these loan proceeds were not derived from sales to investors.

8. 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 at June 30, 2019.

Reporting Fund / Revenue Item (FY19)	Deferred Inflows of Resources (FY19)	Deferred Outflows of Resources (FY19)
General Fund, prepaid taxes not yet earned	\$ 82,995	\$ -
Badin Lake Fire District Fund, prepaid taxes not yet earned	103	-
Lake Tillery Fire District Fund, prepaid taxes not yet earned	25	-
Subtotal all governmental funds	83,123	-
Items not reported in the funds:		
Pension-related activities:		
Contributions to pension plans after measurement date:	-	581,745
Administrative expenses after measurement date	-	653
Difference between projected and actual costs:	14,648	379,928
Net difference between projected and actual earnings:	54,239	344,397
Changes of assumptions and other inputs:	24,593	677,467
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:	95,838	482
OPEB-related activities:		
Contributions to OPEB plan after measurement date:	-	179,805
Administrative expenses after measurement date:	-	9,201
Difference between projected and actual costs:	9,487	5,383
Changes of assumptions and other inputs:	334,834	-
Total governmental activities	\$ 616,762	\$ 2,179,061

Reporting Fund / Revenue Item (FY19)	Deferred Inflows of Resources (FY19)	Deferred Outflows of Resources (FY19)
Water System Fund:		
Pension-related activities, LGERS:		
Contributions to pension plan after measurement date:	\$ -	\$ 35,932
Difference between projected and actual costs:	837	24,940
Net difference between projected and actual earnings:	-	22,191
Both (1) changes in proportion and (2) difference between proportional share and actual contributions:	6,198	42,899
Total business-type activities	\$ 7,035	\$ 125,962

Below is a recap of items included as deferred inflows of resources and items included as deferred outflows of resources at June 30, 2018.

Reporting Fund / Revenue Item (FY18)	Deferred Inflows of Resources (FY18)	Deferred Outflows of Resources (FY18)
General Fund, prepaid taxes not yet earned	\$ 188,949	\$ -
Items not reported in the funds:		
Pension-related activities:		
Contributions to pension plans after measurement date:	-	548,173
Difference between projected and actual costs:	46,919	96,787
Net 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 OPEB plan after measurement date:	-	193,020
Difference between projected and actual costs:	-	6,739
Changes of assumptions and other inputs:	246,449	-
Total governmental activities	\$ 610,776	\$ 1,525,524

Reporting Fund / Revenue Item (FY18)	Deferred Inflows of Resources (FY18)	Deferred Outflows of Resources (FY18)
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
Net 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
Total business-type activities	\$ 9,597	\$ 104,600

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, 2019 and June 30, 2018 consists of the following:

Activity description	June 30, 2019	June 30, 2018
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	656,234	597,897
From General Fund to Educational Facilities Fund for accumulating resources for future capital projects	4,263,295	6,237,625
From General Fund to County Projects Fund for current capital projects activity	760,248	632,060
Subtotal from General Fund	5,679,777	7,470,004
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 to accumulate resources for projects in supporting fund activities	102,222	275,021
Total interfund activity	\$ 5,781,999	\$ 7,827,825

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 both June 30, 2019 and June 30, 2018, there are no interfund balances.

D. Fund Balance

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.

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 outstanding 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 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 per State Statute.)

Designed to improve and maintain the fiscal health of local government units in NC since it was enacted in the 1930's, this statute prohibits units of government from budgeting or spending this non-appropriable portion of fund balance. The amount is presented as restricted fund balance as its "imposed by law through constitutional provisions or enabling legislation", per GASB guidance.

In the table below, see the calculations for fund balance available for appropriation and the amount Restricted for Stabilization per State Statute as of June 30, 2019:

Item Description for FY19	General Fund	Educational Facilities Fund	Other Non-Major Funds
Fund balance available for appropriation			
Cash and investments	\$ 17,367,602	\$ 47,709,451	\$ 3,738,207
Liabilities	(1,657,071)	(11,120,092)	(331,819)
Unavailable revenues arising from cash receipts	(82,995)	-	(128)
Fund balance available for appropriation (FBAA)	15,627,536	36,589,359	3,406,260
Subsequent year's beginning budget	34,174,633	85,675,000	5,565,262
% of FBAA to subsequent year's beginning budget	45.73%	42.71%	61.21%
Restricted for Stabilization per State Statute			
Total fund balance	18,589,352	37,004,154	3,946,337
Fund balance available for appropriation	(15,627,536)	(36,589,359)	(3,406,260)
Fund balance not available for appropriation	2,961,816	414,795	540,077
Nonspendable fund balance	(250,192)	-	(23,878)
Unreportable amounts *	-	-	(212,441)
Restricted for Stabilization per State Statute	\$ 2,711,624	\$ 414,795	\$ 303,758

* 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 \$212,441 for other non-major funds.

In the table below, see the calculations for fund balance available for appropriation and the amount Restricted for 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.

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).

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, 2019, consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance-FY19
Capital assets	\$ 62,932,417	\$ 35,905,205	\$ 98,837,622
Adjustments for depreciation and related debt			
Depreciation on capital assets	(17,648,998)	(1,606,653)	(19,255,651)
Unspent debt proceeds for capital purposes	66,300,090	(28,430,015)	37,870,075
Long-term debt issued for capital purposes	(81,138,506)	1,915,316	(79,223,190)
Subtotal adjustments	(32,487,414)	(28,121,352)	(60,608,766)
Net investment in capital assets	\$ 30,445,003	\$ 7,783,853	\$ 38,228,856
Business-type activities:			
Capital assets	\$ 46,474,297	\$ 319,760	\$ 46,794,057
Adjustments for depreciation and related debt			
Depreciation on capital assets	(21,494,019)	(1,164,277)	(22,658,296)
Long-term debt issued for capital purposes	(9,951,909)	686,219	(9,265,690)
Subtotal adjustments	(31,445,928)	(478,058)	(31,923,986)
Net investment in capital assets	\$ 15,028,369	\$ (158,298)	\$ 14,870,071

The balance of "net investment in capital assets" at June 30, 2018, consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance-FY18
Capital assets	\$ 51,829,771	\$ 11,102,646	\$ 62,932,417
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	\$ 10,374,230	\$ 30,445,003
Business-type activities:			
Capital assets	\$ 46,160,531	\$ 313,766	\$ 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	\$ 60,015	\$ 15,028,369

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 1) print brochures to promote visitors to the County and 2) 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, 2019, the County contributed \$776,000 for operating purposes and \$155,597 for facility maintenance costs to MCC. 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. 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, appointed four members of the fifteen directors of the Market Montgomery (formerly Montgomery Economic Development Corporation or "EDC"). The remaining members were 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 ceased to provide annual appropriations to Market Montgomery; likewise, Market Montgomery is not accountable to the County for its fiscal matters. The County did not significantly influence the normal operations of Market Montgomery and had no authority to designate its management. For the years ended June 30, 2019 and 2018, the combined appropriation (of the County and the TDA) to the organization was \$0 and \$0, respectively. The County did not have any equity interest in Market Montgomery; therefore, no equity interest has been reflected in the County's financial statements. The organization ceased operations in May 2019.

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 \$311,526, \$301,620, and \$299,369 for the years ended June 30, 2019, 2018, and 2017, respectively, to supplement activities of the local library operations, including \$11,800, \$11,800, and \$11,800, 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, 2019, 2018, and 2017, 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 \$9,005 and \$9,029 to PTRC during the fiscal years ended June 30, 2019 and 2018, 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, 2019:

<u>Program Title-FY19</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	-	\$ 14,625	\$ 10,354
III-B Grants for Supportive Services	93.044	-	35,333	71,673
Congregate Nutrition	93.045	-	30,203	1,778
Home Delivered Nutrition	93.045	-	59,800	43,375
NSIP Supplement	93.053	-	14,149	-
Total pass-thru grants awards from IPDC			<u>\$ 154,110</u>	<u>\$ 127,180</u>

The following is a list of grants that passed through PTRC to the County during the fiscal year ended June 30, 2018:

Program Title-FY18	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures
U.S. Department of Health and Human Services				
<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>

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, 2019:

Program Title-FY19	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	-	\$ 552,798	\$ -
Food Stamps-Monthly EBT Benefits Authorized	10.551	-	5,220,957	-
Medical Assistance	93.778	-	28,243,980	14,497,996
Health Choice Claim Expenditures	93.767	-	808,971	-
Total direct benefit payments			<u>\$ 34,826,706</u>	<u>\$ 14,497,996</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, 2018:

Program Title-FY18	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	-	\$ 615,428	\$ -
Food Stamps-Monthly EBT Benefits Authorized	10.551	-	5,465,845	-
Medical Assistance	93.778	-	27,782,394	14,510,016
Health Choice Claim Expenditures	93.767	-	763,039	2,934
Total direct benefit payments			<u>\$ 34,626,706</u>	<u>\$ 14,512,950</u>

Note f: STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY, AND SIGNIFICANT EVENTS

With regard to matters of stewardship, compliance, accountability, and significant events, the County discloses the following as the only such matters that require disclosure.

A. Federal and State Assistance

The County receives proceeds from several federal and State grant sources. Periodic audits of these grants are required and certain costs may be questioned as being inappropriate expenditures or having insufficient supporting documentation under the terms of grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Thus, no provision has been made in the accompanying financial statements for such refunds of grant monies.

B. Deficit Fund Balances

At year-end, both the Badin Lake Fire District Fund and the Lake Tillery Fire District Fund had small deficit fund balances of (\$3) and (\$5), respectively. Though both funds serve to separate property taxes that are collected from tax rates for special purposes, spending in this fiscal year exceeded the amount received. For the ensuing year, which is the year ending June 30, 2020, the County will withhold \$3 and \$5, respectively, from payments to these two fire districts for collections of property taxes made during the fiscal year. This action should return these funds to a zero fund balance.

Note g: SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the basic financial statements. Subsequent events have been evaluated through January 31, 2020, which is the date the financial statements were available to be issued.

On July 1, 2019 the County's discretely presented component unit, the Montgomery County Tourism Development Authority, disbanded when the County repealed the tax levied for the TDA.

Note h: RESTATEMENTS

A. Change in Accounting Principles

The County implemented Governmental Accounting Standards Board (GASB) Statement 88, *Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements.*, in the fiscal year ending June 30, 2019. The implementation of the statement required the County to improve the information that is disclosed in the footnotes related to debt, including direct borrowings and direct placements. Information related to debt to be disclosed in the footnotes include unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default, significant termination events, and significant subjective acceleration clauses. It also clarifies which liabilities governments should include when disclosing information related to debt.

The County has early implemented Governmental Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred Before the end of the Construction Period*, in the fiscal year ended June 30, 2019. The implementation of this statement is not retroactively applied and had no effect on net position.

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 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.

County of Montgomery, North Carolina

Annual Financial and Compliance Report

For the Year Ended June 30, 2019

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required and Other Supplementary Information

	<u>Identifier</u>	<u>Page No.</u>
Required Supplementary Information:		
1. Financial Schedules for Pension-Related Deferrals	Part II.D.1	98
2. Financial Schedules for Other Post-Employment Benefits-Retirees Healthcare Coverage	Part II.D.2	103
Other Supplementary Information:		
3. Financial Statements for Major Governmental Funds	Part II.D.3	105
4. Financial Statements for Non-major Governmental Funds	Part II.D.4	115
5. Financial Schedules for Major Enterprise Fund	Part II.D.5	131
6. Financial Statement for Fiduciary Funds	Part II.D.6	136
7. Financial Statements for Component Unit	Part II.D.7	139

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 discretely presented component unit.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required and Other 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	103
b. LGERS Schedule of Employer Contributions	Exhibit II.D.1.b	103
c. RODSPF Schedule of Proportionate Share of Net Pension Liability (Asset)	Exhibit II.D.1.c	104
d. RODSPF Schedule of Employer Contributions	Exhibit II.D.1.d	104
e. LEOSSA Schedule of Changes in Total Pension Liability	Exhibit II.D.1.e	105
f. LEOSSA Schedule of Total Pension Liability as a Percentage of Covered Payroll	Exhibit II.D.1.f	106

The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statement Number 68, 73, 75, and others.

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2019

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						
2019	\$ 2,372,342,200	91.633%	0.111%	\$ 2,621,912	\$ 7,171,555	36.560%
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.

County of Montgomery, North Carolina

b. LGERS Schedule of Employer Contributions

For the Year Ended June 30, 2019

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						
2019	\$ 582,768	\$ 582,768	100.000%	\$ -	\$ 7,386,672	7.889%
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, 2019

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						
2019	\$ (16,563,000)	153.312%	0.253%	\$ (41,894)	\$ 51,971	-80.610%
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.

County of Montgomery, North Carolina

d. RODSPF Schedule of Employer Contributions

For the Year Ended June 30, 2019

Fiscal Year Ended June 30	Actual Contributions	Contractually Required Contributions	Percentage Contributed	Contribution Deficiency (Excess)
--- County is reporting information due to the implementation of GASB Statement 68 in the fiscal year ended June 30, 2015				
2019	\$ 2,031	\$ 2,031	100.000%	\$ -
2018	2,165	2,165	100.000%	-
2017	1,922	1,922	100.000%	-
2016	2,214	2,214	100.000%	-
2015	1,992	1,992	100.000%	-
2014	1,999	1,999	100.000%	-

County of Montgomery, North Carolina
e. LEOSA Schedule of Changes in Total Pension Liability

For the Year Ended June 30, 2019

	2019	2018	2017
Beginning balance	\$ 679,920	\$ 714,648	\$ 726,617
Service cost	24,777	22,760	31,912
Interest on the total pension liability	20,433	26,466	24,992
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(18,338)	(61,179)	-
Changes of assumptions or other inputs	(20,673)	35,220	(15,728)
Benefit payments	(66,620)	(57,995)	(53,145)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 619,499</u>	<u>\$ 679,920</u>	<u>\$ 714,648</u>

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

County of Montgomery, North Carolina**f. LEOSA Schedule of Total Pension Liability as a Percentage of Covered Payroll**

For the Year Ended June 30, 2019

	2019	2018	2017
Total pension liability	\$ 619,499	\$ 679,920	\$ 714,648
Covered payroll	982,660	991,893	1,188,937
Total pension liability as a percentage of covered payroll	63.04%	68.55%	60.11%

*Special Note:**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

Annual Financial and Compliance Report

For the Year Ended June 30, 2019

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required and Other Supplementary Information

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

	<u>Identifier</u>	<u>Page No.</u>
a. Schedule of Changes in Total OPEB Liability and Related Ratios	Exhibit II.D.2.a	104

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

County of Montgomery, North Carolina

a. Schedule of Changes in Total OPEB Liability and Related Ratios

For the Year Ended June 30, 2019

	2019	2018
Beginning balance	\$ 4,872,168	\$ 5,079,910
Service cost	127,191	138,063
Interest on the total OPEB liability	169,878	149,803
Differences between expected and actual experience in the measurement of the total OPEB liability	(11,396)	8,095
Changes of assumptions or other inputs	(165,733)	(296,036)
Benefit payments	(202,424)	(207,667)
Ending balance of the total OPEB liability	<u>\$ 4,789,684</u>	<u>\$ 4,872,168</u>
Covered payroll	\$ 4,040,533	\$ 4,040,533
Total OPEB liability as a percentage of covered payroll	118.541%	120.582%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2019	3.89%
2018	3.56%

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required and Other 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	106
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	114

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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad Valorem Taxes				
Current year - General Fund	\$ 18,603,628	\$ 19,346,179	\$ 742,551	\$ 18,867,194
Prior years	2,735	317,159	314,424	362,065
Penalties, interest, and advertising, net	388,993	129,624	(259,369)	142,063
Subtotal Ad Valorem Taxes	18,995,356	19,792,962	797,606	19,371,322
Local Option Sales Taxes				
Article 39 & 44	1,595,000	2,371,421	776,421	2,192,109
Article 40	1,500,000	1,630,051	130,051	1,547,048
Article 42	800,000	1,011,411	211,411	931,430
Article 46	530,000	554,119	24,119	504,000
Medicaid hold harmless payment	-	53,597	53,597	(928)
Subtotal Local Option Sales Taxes	4,425,000	5,620,599	1,195,599	5,173,659
Other Taxes				
Register of Deeds excise stamp	-	-	-	116,342
Beer and wine license tax	-	1,320	1,320	1,140
Rental vehicle gross receipts tax	-	590	590	646
Subtotal Other Taxes	-	1,910	1,910	118,128
Intergovernmental Revenues, unrestricted				
Beer and wine excise taxes	-	86,468	86,468	86,639
Payments in lieu of taxes	94,000	112,623	18,623	110,121
Disposal taxes, scrap tires	40,000	39,740	(260)	37,088
Property tax billing and collection fees	22,000	25,864	3,864	25,121
Federal and state forfeiture funds	6,000	1,890	(4,110)	16,814
Video program franchise distribution	15,000	17,921	2,921	23,599
Disposal taxes, solid waste	4,000	18,587	14,587	16,571
Sheriff & jail court fees	54,000	65,756	11,756	73,517
Profit distribution from local ABC boards	1,000	23,221	22,221	21,040
Subtotal Intergovernmental Revenues, unrestricted	236,000	392,070	156,070	410,510
Intergovernmental Revenues, restricted				
Federal and state grants	4,399,266	3,799,718	(599,548)	3,749,183
Lottery proceeds	250,000	250,000	-	250,000
Special loan interest subsidy	81,941	83,047	1,106	90,039
Court facilities fees	50,000	53,607	3,607	55,260
Share of Nationwide Timber Receipts	68,000	64,210	(3,790)	59,849
Library contribution fees	24,000	24,800	800	24,800
Municipal elections	-	-	-	8,353
ABC bottles tax distribution	5,000	6,576	1,576	6,231
Subtotal Intergovernmental Revenues, restricted	4,878,207	4,281,958	(596,249)	4,243,715
Subtotal Intergovernmental Revenues	5,114,207	4,674,028	(440,179)	4,654,225

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES (continued from previous page)				
Licenses, Fees, and Permits				
Landfill revenues	1,957,152	2,008,484	51,332	1,949,365
Inmate housing fees	270,000	364,103	94,103	300,822
Building permit and inspection fees	111,000	266,637	155,637	243,205
Register of Deeds fees and permits	182,500	212,837	30,337	108,612
Environmental Health permits	-	43,660	43,660	48,503
Civil, pistol, and concealed weapons permits	48,000	48,868	868	56,238
Library fines	6,000	2,257	(3,743)	1,944
Zoning permits and fees	10,000	11,363	1,363	11,439
Animal control fees	1,000	759	(241)	379
Elections fees	-	10	10	5,084
Marriage Licenses	-	3,700	3,700	3,025
Subtotal Licenses, Fees, and Permits	2,585,652	2,962,678	377,026	2,728,616
Sales and Services				
Medicaid / Medicare service fees	381,133	355,639	(25,494)	353,630
Contracted revenues	15,000	20,412	5,412	23,810
Department of Health fees	79,300	67,491	(11,809)	77,069
Rental fees	66,280	69,851	3,571	71,974
Vending & phone commissions	20,000	48,727	28,727	39,728
Department of Social Services fees	5,250	25,591	20,341	21,777
County program fees	2,500	6,084	3,584	13,716
Subtotal Sales and Services	569,463	593,795	24,332	601,704
Investment Earnings	270,000	620,944	350,944	345,402
Miscellaneous				
Contributions / donations	170,983	117,542	(53,441)	224,234
Sale of used surplus equipment and vehicles	55,000	40,051	(14,949)	46,473
Insurance proceeds and legal settlements	-	673,720	673,720	1,262
Miscellaneous others	200	1,985	1,785	695
Subtotal Miscellaneous	226,183	833,298	607,115	272,664
Total Revenues	32,185,861	35,100,214	2,914,353	33,265,720
EXPENDITURES				
General Government				
Commissioners (includes non-departmental)				
Salaries and benefits	516,252	213,696	302,556	220,533
Other operating expenditures	612,368	819,523	(207,155)	488,882
Capital & equipment outlays	108,000	52,337	55,663	61,631
Subtotal Commissioners	1,236,620	1,085,556	151,064	771,046
County Administration / Manager's Office				
Salaries and benefits	193,981	169,056	24,925	192,135
Other operating expenditures	29,050	20,242	8,808	14,537
Capital & equipment outlays	-	-	-	695
Subtotal County Manager / Administration	223,031	189,298	33,733	207,367

(continued on next page)

County of Montgomery, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Finance				
Salaries and benefits	271,006	270,825	181	261,363
Other operating expenditures	8,890	8,036	854	6,907
Subtotal Finance	279,896	278,861	1,035	268,270
Information Technology				
Salaries and benefits	5,590	1,107	4,483	130,700
Other operating expenditures	240,454	259,598	(19,144)	223,087
Capital & equipment outlays	207,570	124,343	83,227	40,394
Subtotal Information Technology	453,614	385,048	68,566	394,181
Human Resources				
Salaries and benefits	145,355	69,442	75,913	65,709
Other operating expenditures	15,000	5,817	9,183	3,801
Subtotal Human Resources	160,355	75,259	85,096	69,510
Property Tax Administration (assessing, listing, and collection)				
Salaries and benefits	385,387	385,773	(386)	372,909
Other operating expenditures	53,493	49,513	3,980	50,484
Subtotal Tax Administration	438,880	435,286	3,594	423,393
Property Tax Revaluation				
Salaries and benefits	7,010	6,998	12	6,970
Other operating expenditures	547,990	175,904	372,086	8,853
Subtotal Property Tax Revaluation	555,000	182,902	372,098	15,823
Elections and Board of Elections				
Salaries and benefits	143,541	140,588	2,953	129,172
Other operating expenditures	61,756	52,775	8,981	51,874
Capital & equipment outlays	1,795	1,795	-	-
Subtotal Elections	207,092	195,158	11,934	181,046
Register of Deeds' Office (including Automation)				
Salaries and benefits	139,751	138,475	1,276	135,955
Other operating expenditures	30,750	29,731	1,019	30,084
Subtotal Register of Deeds	170,501	168,206	2,295	166,039
Custodial Services / Housekeeping				
Salaries and benefits	153,479	153,362	117	147,070
Other operating expenditures	31,000	18,636	12,364	16,072
Subtotal Housekeeping	184,479	171,998	12,481	163,142
Facilities Management / Maintenance				
Salaries and benefits	117,073	116,692	381	113,290
Other operating expenditures	708,500	667,635	40,865	535,835
Capital & equipment outlays	191,500	2,168	189,332	214,403
Subtotal Facilities Maintenance	1,017,073	786,495	230,578	863,528
Property & Liability Insurance, other expenditures	35,000	25,931	9,069	7,941
Court Facilities				
Other operating expenditures	174,800	6,339	168,461	6,876
Capital & equipment outlays	200	-	200	-
Subtotal Court Facilities	175,000	6,339	168,661	6,876
Total General Government	5,136,541	3,986,337	1,150,204	3,538,162

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Public Safety				
Sheriff's Office (including Schools Resource Officers)				
Salaries and benefits	1,724,638	1,674,227	50,411	1,630,725
Other operating expenditures	292,638	175,152	117,486	229,939
Capital & equipment outlays	110,450	114,592	(4,142)	112,293
Subtotal Sheriff	2,127,726	1,963,971	163,755	1,972,957
Jail / Detention Center				
Salaries and benefits	920,863	969,527	(48,664)	911,780
Other operating expenditures	494,524	424,718	69,806	404,278
Capital & equipment outlays	-	645	(645)	-
Subtotal Detention Centers	1,415,387	1,394,890	20,497	1,316,058
Animal/Rabies Control				
Salaries and benefits	116,850	115,977	873	105,595
Other operating expenditures	27,500	13,831	13,669	14,686
Subtotal Animal/Rabies Control	144,350	129,808	14,542	120,281
Volunteer Fire Departments				
Other operating expenditures	530,850	266,250	264,600	162,833
Capital & equipment outlays	1,200,000	455,373	744,627	316,100
Subtotal Volunteer Fire Departments	1,730,850	721,623	1,009,227	478,933
Building Inspections				
Salaries and benefits	190,835	191,674	(839)	186,741
Other operating expenditures	25,500	23,684	1,816	17,866
Subtotal Inspections	216,335	215,358	977	204,607
Medical Examiner, other expenditures	25,000	20,150	4,850	18,200
Ambulance / Rescue Squads				
Retirement benefits	3,600	2,820	780	2,910
Third-party ambulance services	1,510,049	1,502,719	7,330	1,462,950
Other operating expenditures	13,200	13,000	200	14,437
Capital & equipment outlays	29,700	29,632	68	21,060
Subtotal rescue squads	1,556,549	1,548,171	8,378	1,501,357
Emergency Management				
Salaries and benefits	62,927	46,471	16,456	67,355
Other operating expenditures	6,350	3,910	2,440	9,036
Subtotal Emergency Management	69,277	50,381	18,896	76,391
E911 Communications				
Salaries and benefits	618,972	589,764	29,208	433,548
Other operating expenditures	12,875	11,384	1,491	13,651
Capital & equipment outlays	13,125	13,125	-	-
Subtotal E911 Communications	644,972	614,273	30,699	447,199
Juvenile Crime Prevention Council (JCPC), other exp	100,000	99,288	712	99,763
Federal and State Forfeited Property				
Other operating expenditures	4,000	-	4,000	-
Capital & equipment outlays	52,000	-	52,000	-
Subtotal Federal and State Forfeited Property	56,000	-	56,000	-
Total Public Safety	8,086,446	6,757,913	1,328,533	6,235,746

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Transportation				
Airport Operations, other expenditures	30,000	19,196	10,804	14,327
Rural Operating Assistance Program, other exp.	145,000	142,975	2,025	138,358
Total Transportation	175,000	162,171	12,829	152,685
Human Services				
Health services				
Health Administration				
Salaries and benefits	229,421	229,104	317	216,557
School nurses at MCS	100,000	100,000	-	100,000
Other operating expenditures	85,370	72,223	13,147	101,753
Capital & equipment outlays	20,757	19,641	1,116	11,744
Subtotal Health Administration	435,548	420,968	14,580	430,054
Communicable Diseases				
Salaries and benefits	98,083	97,562	521	108,445
Other operating expenditures	20,371	18,794	1,577	14,728
Subtotal Communicable Diseases	118,454	116,356	2,098	123,173
Public Health/Emergency Planning				
Salaries and benefits	22,926	22,600	326	206
Other operating expenditures	14,778	12,643	2,135	18,637
Subtotal Public Health/Emerg Planning	37,704	35,243	2,461	18,843
Health Promotions				
Salaries and benefits	43,982	43,754	228	42,297
Other operating expenditures	1,000	900	100	-
Subtotal Health Promotions	44,982	44,654	328	42,297
Women - Infants - Children (WIC)				
Salaries and benefits	167,537	144,646	22,891	174,036
Other operating expenditures	22,969	18,575	4,394	3,112
Capital & equipment outlays	3,225	3,225	-	-
Subtotal Women - Infants - Children (WIC)	193,731	166,446	27,285	177,148
Child Health				
Salaries and benefits	236,210	215,613	20,597	230,400
Other operating expenditures	27,459	22,500	4,959	25,229
Capital & equipment outlays	4,230	4,195	35	-
Subtotal Child Health	267,899	242,308	25,591	255,629
Maternal Health				
Salaries and benefits	185,080	181,198	3,882	204,928
Other operating expenditures	42,516	40,756	1,760	39,191
Capital & equipment outlays	2,184	2,008	176	-
Subtotal Maternal Health	229,780	223,962	5,818	244,119
Adult Health				
Salaries and benefits	71,781	38,783	32,998	59,312
Other operating expenditures	34,850	31,675	3,175	32,685
Subtotal Adult Health	106,631	70,458	36,173	91,997

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Family Planning				
Salaries and benefits	187,635	177,169	10,466	157,768
Other operating expenditures	63,450	45,091	18,359	59,567
Subtotal Family Planning	251,085	222,260	28,825	217,335
Care Coordination for Children (CC4C)				
Salaries and benefits	82,471	81,959	512	86,185
Other operating expenditures	2,326	1,711	615	2,170
Subtotal Care Coord. for Children (CC4C)	84,797	83,670	1,127	88,355
Pregnancy Care Management				
Salaries and benefits	84,018	83,056	962	94,026
Other operating expenditures	5,431	4,573	858	3,761
Subtotal Pregnancy Care Management	89,449	87,629	1,820	97,787
Infant Health Improvement				
Other operating expenditures	107,044	97,738	9,306	100,407
Capital & equipment outlays	4,669	4,620	49	-
Subtotal Infant Health Improvement	111,713	102,358	9,355	100,407
Total Health Services	1,971,773	1,816,312	155,461	1,887,144
Social Services:				
Social Services Administration & Service Delivery				
Salaries and benefits	2,720,630	2,546,040	174,590	2,424,126
Other operating expenditures	1,265,596	1,178,698	86,898	1,455,434
Capital & equipment outlays	27,000	3,163	23,837	24,685
Subtotal Social Services	4,013,226	3,727,901	285,325	3,904,245
Total Social Services	4,013,226	3,727,901	285,325	3,904,245
Miscellaneous				
Environmental Health				
Salaries and benefits	181,050	180,249	801	140,879
Other operating expenditures	11,576	6,358	5,218	7,539
Subtotal Environmental Health	192,626	186,607	6,019	148,418
Mental Health (Sandhills Center), allocations	60,775	60,775	-	60,775
Home Community and Care Block Grant, other exp	274,170	281,290	(7,120)	259,102
Programs for the Aging				
Salaries and benefits	1,759	1,798	(39)	-
Other operating expenditures	161,241	153,127	8,114	145,752
Subtotal Programs for the Aging	163,000	154,925	8,075	145,752
Total Human Services	6,675,570	6,227,810	447,760	6,405,436
Education (Intergovernmental)				
Public Schools				
Current expenses	5,199,000	5,199,000	-	5,224,000
Timber receipts from US Forest	69,000	64,210	4,790	59,850
Pass-thru grant for behavior consultants	200,000	200,000	-	-
Aid to Communities in Schools	30,000	7,500	22,500	5,000
Subtotal Public Schools	5,498,000	5,470,710	27,290	5,288,850
Community College, current expenses	776,000	776,000	-	768,000
Total Education	6,274,000	6,246,710	27,290	6,056,850

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Environmental Protection				
Waste Collection & Recycling				
Salaries and benefits	249,663	238,994	10,669	102,579
Other operating expenditures	531,000	529,046	1,954	656,482
Subtotal Landfill & Recycling	780,663	768,040	12,623	759,061
Forestry, other expenditures	102,500	96,644	5,856	100,000
Soil Conservation				
Salaries and benefits	79,029	78,947	82	76,027
Other operating expenditures	4,800	3,185	1,615	3,305
Subtotal Soil Conservation	83,829	82,132	1,697	79,332
Total Environmental Protection	966,992	946,816	20,176	938,393
Economic and Physical Development				
Planning and Zoning				
Salaries and benefits	68,014	66,827	1,187	63,028
Other operating expenditures	6,571	5,626	945	3,708
Subtotal Planning and Zoning	74,585	72,453	2,132	66,736
Economic Development				
Salaries and benefits	108,313	109,215	(902)	36,994
Future appropriations	500,000	-	500,000	-
Other operating expenditures	32,500	50,443	(17,943)	23,396
Subtotal Economic Development	640,813	159,658	481,155	60,390
Cooperative (Agricultural) Extension				
Salaries and benefits	13,435	11,859	1,576	12,298
Other operating expenditures	203,324	211,058	(7,734)	200,951
Subtotal Cooperative/ Agricultural Extension	216,759	222,917	(6,158)	213,249
Economic Development Grants, other expenditures	370,001	66,667	303,334	8,500
Total Economic and Physical Development	1,302,158	521,695	780,463	348,875
Cultural and Recreational				
Library System				
Salaries and benefits	238,526	213,404	25,122	211,117
Books and magazines	32,100	30,828	1,272	25,827
Other operating expenditures	40,900	43,969	(3,069)	42,598
Subtotal Library System	311,526	288,201	23,325	279,542
Recreation Support				
Contributions to area recreation groups	128,506	117,556	10,950	82,000
Other operating expenditures	43,646	750	42,896	489
Subtotal Recreation Support	172,152	118,306	53,846	82,489
Haltiwanter Retreat, other expenditures	12,000	-	12,000	3,100
County Gym Projects, allocations	11,000	7,593	3,407	6,890
Total Cultural and Recreational	506,678	414,100	92,578	372,021

(continued on next page)

County of Montgomery, North Carolina

**a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund
Balances -- Budget to Actual (added details)**

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance - Positive (Negative)	Actual
EXPENDITURES (continued from previous page)				
Debt Service				
Principal reduction	1,915,317	1,915,316	1	1,976,125
Interest and fees	371,892	371,430	462	420,028
Issuance costs and other fees	-	-	-	2,250
Total Debt Service	2,287,209	2,286,746	463	2,398,403
 Total Expenditures	 31,410,594	 27,550,298	 3,860,296	 26,446,571
 Excess of Revenues Over (Under) Expenditures	 775,267	 7,549,916	 6,774,649	 6,819,149
 OTHER FINANCING SOURCES (USES)				
Transfers In:				
from Emergency Telephone fund	50,000	-	(50,000)	82,800
Transfers Out:				
to Emergency Telephone fund	(6,000)	-	6,000	(2,422)
to Schools Projects fund	(630,612)	(656,234)	(25,622)	(597,897)
to Educational Facilities fund	(4,261,700)	(4,263,295)	(1,595)	(6,237,625)
to Capital Projects fund	(750,000)	(760,248)	(10,248)	(632,060)
Fund Balance (Contingency) Appropriated	4,823,045	-	(4,823,045)	-
Total Other Financing Sources (Uses)	(775,267)	(5,679,777)	(4,904,510)	(7,387,204)
 Net Change in Fund Balance	 \$ -	 1,870,139	 \$ 1,870,139	 (568,055)
 FUND BALANCES				
Beginning fund balances (July 1)		16,719,213		17,287,268
Ending Fund Balances (June 30)		<u>\$ 18,589,352</u>		<u>\$ 16,719,213</u>

Note: This fund consolidates the following funds that were reported separately in annual financial statements prior to June 30, 2015:

General Fund, Revaluation Fund, Drug Forfeiture Fund, and 2-Cent Fire Tax Restricted VFD Fund

(continued from previous page)

County of Montgomery, North Carolina

b. 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, 2019

With Comparative Totals from Project Inception to June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment earnings	\$ 2,077,205	\$ 247,397	\$ 1,301,260	\$ 1,548,657
Miscellaneous	291,898	41,897	-	41,897
Total revenues	2,369,103	289,294	1,301,260	1,590,554
EXPENDITURES				
Education				
Montgomery Central High School (new)				
Administration	570,000	8,094	60,180	68,274
Construction and renovation	66,525,203	9,282,127	33,375,256	42,657,383
Engineering, legal, & other professional services	4,335,530	3,298,514	878,086	4,176,600
Capital and equipment outlays	3,250,000	-	2,051,714	2,051,714
Other expenses	388,967	297,588	61,054	358,642
Contingency	8,867,850	-	-	-
Debt service				
Debt principal payments	67,675,000	-	-	-
Debt interest payments	3,922,508	-	1,990,773	1,990,773
Issuance costs and other fees	200,000	287,362	794	288,156
Total expenditures	155,735,058	13,173,685	38,417,857	51,591,542
Excess of revenues over (under) expenditures	(153,365,955)	(12,884,391)	(37,116,597)	(50,000,988)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (new high school)	18,012,955	13,614,105	4,263,295	17,877,400
Proceeds from loan issuance	67,675,000	69,127,742	-	69,127,742
Proceeds from USDA loan issuance	67,678,000	-	-	-
Total other financing sources (uses)	153,365,955	82,741,847	4,263,295	87,005,142
Net change in fund balance	\$ -	\$ 69,857,456	(32,853,302)	\$ 37,004,154
FUND BALANCES				
Beginning fund balances			69,857,456	
Ending fund balances			<u>\$ 37,004,154</u>	

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

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required and Other 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	116
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.4.b	118
c. Emergency Telephone System Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.c	120
d. EMPG Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.d	121
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	122
f. Badin Lake Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.f	123
g. Lake Tillery Fire District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.g	124
h. Child Support Incentives Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.h	125
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	126
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	127
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	128
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	129

The Non-major Governmental Funds Financial Statements include the combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance for non-major special revenue funds and capital projects funds that comprise the other governmental, non-major funds column in the Basic Financial Statements. The individual fund financial statements follow the combining statements.

The primary purpose of Special Revenue Funds is to account for the proceeds of designated revenue sources that are restricted by law or administrative action for specific purposes. Items c through i from the list above represent different Special Revenue Funds.

The purpose of Capital Projects Funds is to account for the financial resources segregated for the acquisition or construction of major general capital assets and facilities. The budgets within these funds are adopted for the life of the project. Under the project accounting concept, project expenditures and revenues are accumulated until the year in which the project is completed. Items j through l from the list above represent Capital Project Funds.

County of Montgomery, North Carolina

a. Non-major Governmental Funds: Combining Balance Sheet

(continued on next page)

June 30, 2019

With Comparative Totals as of June 30, 2018

	Non-major Governmental Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
ASSETS					
Cash and cash equivalents	\$ 29,366	\$ 186,713	\$ 8,981	\$ 3,101	\$ 1,932
Taxes receivable, net	-	-	-	9,667	7,788
Accounts receivable, net	-	-	-	-	-
Due from other governments	22,675	319	-	1,346	912
Prepaid items	21,290	88	-	-	-
Total assets	\$ 73,331	\$ 187,120	\$ 8,981	\$ 14,114	\$ 10,632
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 4,866	\$ -	\$ -	\$ -	\$ -
Contract retainage	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Due to other taxing units	-	-	-	4,347	2,824
Total liabilities	4,866	-	-	4,347	2,824
Deferred inflows:					
Property taxes receivable	-	-	-	9,667	7,788
Unearned tax revenues	-	-	-	103	25
Total deferred inflows	-	-	-	9,770	7,813
Fund balances:					
Non-spendable					
Prepaid Items	21,290	88	-	-	-
Restricted					
Stabilization of State Statute	22,675	319	-	-	-
Public Safety	24,500	186,713	-	-	-
Human Services	-	-	-	-	-
Economic and Physical Development	-	-	8,981	-	-
Committed					
Transportation	-	-	-	-	-
Education (intergovernmental)	-	-	-	-	-
Incomplete projects	-	-	-	-	-
Unassigned	-	-	-	(3)	(5)
Total fund balances	68,465	187,120	8,981	(3)	(5)
Total liabilities, deferred inflows and fund balances	\$ 73,331	\$ 187,120	\$ 8,981	\$ 14,114	\$ 10,632

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		2019	2018
\$ 232,611	\$ 199,349	\$ 390,615	\$ 100,491	\$ 2,585,048	\$ 3,738,207	\$ 4,452,835		
-	-	-	-	-	17,455	12,329		
-	-	156,560	-	-	156,560	146,434		
26	-	1,907	332,454	-	359,639	46,916		
500	-	2,000	-	-	23,878	28,473		
\$ 233,137	\$ 199,349	\$ 551,082	\$ 432,945	\$ 2,585,048	\$ 4,295,739	\$ 4,686,987		
\$ 3,768	\$ -	\$ -	\$ 279,900	\$ 5,340	\$ 293,874	\$ 23,425		
-	-	-	30,774	-	30,774	-		
-	-	-	-	-	-	1,376,779		
-	-	-	-	-	7,171	5,983		
3,768	-	-	310,674	5,340	331,819	1,406,187		
-	-	-	-	-	17,455	12,329		
-	-	-	-	-	128	-		
-	-	-	-	-	17,583	12,329		
500	-	2,000	-	-	23,878	28,473		
26	-	158,467	122,271	-	303,758	191,175		
-	-	-	-	-	211,213	202,269		
228,843	-	-	-	-	228,843	241,483		
-	199,349	-	-	-	208,330	382,574		
-	-	-	-	-	-	115,515		
-	-	390,615	-	-	390,615	282,182		
-	-	-	-	2,579,708	2,579,708	1,824,800		
-	-	-	-	-	(8)	-		
229,369	199,349	551,082	122,271	2,579,708	3,946,337	3,268,471		
\$ 233,137	\$ 199,349	\$ 551,082	\$ 432,945	\$ 2,585,048	\$ 4,295,739	\$ 4,686,987		

(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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	Non-major Governmental Funds				
	Emergency Telephone System	EMPG	Community Development	Badin Lake Fire District	Lake Tillery Fire District
REVENUES					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ 423,918	\$ 203,042
Intergovernmental revenues, restricted	175,917	38,524	-	-	-
Investment earnings	73	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	175,990	38,524	-	423,918	203,042
EXPENDITURES					
Transportation	-	-	-	-	-
Public safety	112,443	5,887	-	423,927	203,048
Human services	-	-	-	-	-
Education (intergovernmental)	-	-	-	-	-
Economic and physical development	-	-	-	-	-
Debt service, principal reduction	77,792	-	-	-	-
Debt service, interest and fees	16,764	-	-	-	-
Total expenditures	206,999	5,887	-	423,927	203,048
Excess of revenues over (under) expenditures	(31,009)	32,637	-	(9)	(6)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(31,009)	32,637	-	(9)	(6)
FUND BALANCES					
Beginning fund balances (July 1)	99,474	154,483	8,981	6	1
Ending fund balances (June 30)	\$ 68,465	\$ 187,120	\$ 8,981	\$ (3)	\$ (5)

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Non-major Governmental Funds							
Child Support Incentives	Golden LEAF - Aseptia	Schools Projects	Airport Projects	County Projects	Totals		
					2019	2018	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 626,960	\$ 624,717	
41,575	-	-	721,086	-	977,102	276,307	
-	-	-	-	-	73	133	
-	5,351	-	-	-	5,351	37,342	
41,575	5,351	-	721,086	-	1,609,486	938,499	
-	-	-	714,330	-	714,330	6,756	
-	-	-	-	5,340	750,645	748,189	
53,811	-	-	-	-	53,811	48,914	
-	-	555,165	-	-	555,165	1,304,873	
-	179,595	-	-	-	179,595	92,535	
-	-	-	-	-	77,792	74,087	
-	-	-	-	-	16,764	20,469	
53,811	179,595	555,165	714,330	5,340	2,348,102	2,295,823	
(12,236)	(174,244)	(555,165)	6,756	(5,340)	(738,616)	(1,357,324)	
-	-	656,234	-	760,248	1,416,482	1,232,379	
-	-	-	-	-	-	(82,800)	
-	-	656,234	-	760,248	1,416,482	1,149,579	
(12,236)	(174,244)	101,069	6,756	754,908	677,866	(207,745)	
241,605	373,593	450,013	115,515	1,824,800	3,268,471	3,476,216	
\$ 229,369	\$ 199,349	\$ 551,082	\$ 122,271	\$ 2,579,708	\$ 3,946,337	\$ 3,268,471	

(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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
System subscriber/surcharge fees	\$ 175,918	\$ 175,917	\$ (1)	\$ 153,850
Investment earnings	-	73	73	133
Total revenues	175,918	175,990	72	153,983
EXPENDITURES				
Public safety:				
Phone and furniture expenditures	58,000	61,517	(3,517)	56,340
Software maintenance expenditures	36,500	32,410	4,090	32,144
Hardware maintenance expenditures	32,111	16,655	15,456	121,745
Training expenditures	2,250	780	1,470	2,525
Other expenditures	8,500	1,081	7,419	-
Debt service, principal reduction	94,557	77,792	16,765	-
Debt service, interest and fees	-	16,764	(16,764)	-
Total public safety expenditures	231,918	206,999	24,919	212,754
Excess of revenues over (under) expenditures	(56,000)	(31,009)	24,991	(58,771)
OTHER FINANCING SOURCES (USES)				
Implemental functions (transfer to General fund)	(50,000)	-	50,000	(82,800)
Transfers in:				
from General fund for prior year expenditures	6,000	-	(6,000)	2,422
Fund balance appropriated	100,000	-	(100,000)	-
Total other financing sources (uses)	56,000	-	(56,000)	(80,378)
Net change in fund balance	\$ -	(31,009)	\$ (31,009)	(139,149)
FUND BALANCES				
Beginning fund balances (July 1)		99,474		238,623
Ending fund balances (June 30)		<u>\$ 68,465</u>		<u>\$ 99,474</u>
RECONCILIATION TO ANNUAL PSAP REPORT				
	<i>Revenue</i>	<i>Expenditures</i>	<i>Fund Balance</i>	
Totals (from above)	175,990	206,999	68,465	
less interest earnings	(73)	-	-	
plus Implemental functions (transfer to General Fund)	-	41,400	-	
Totals reported to NC 911 Board	175,917	248,399	68,465	

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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 40,000	\$ 38,524	\$ (1,476)	\$ 38,642
EXPENDITURES				
Public safety:				
Education and training services	-	222	(222)	629
Supplies	-	-	-	1,035
Travel expenses	-	445	(445)	290
Postage, shipping, and delivery charges	-	65	(65)	47
Memberships, dues, and subscriptions	-	100	(100)	-
Contracted services	-	973	(973)	1,250
Capital & equipment outlays	40,000	4,082	35,918	-
Total expenditures	40,000	5,887	34,113	3,251
Excess of revenues over (under) expenditures	-	32,637	32,637	35,391
Net change in fund balance	\$ -	32,637	\$ 32,637	35,391
FUND BALANCES				
Beginning fund balances (July 1)		154,483		119,092
Ending fund balances (June 30)		<u>\$ 187,120</u>		<u>\$ 154,483</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, 2019

With Comparative Totals from Project Inception to June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Project URP-1224	\$ 100,000	\$ 91,300	\$ -	\$ 91,300
Miscellaneous (URP-1224)	10,617	10,616	-	10,616
Total revenues	110,617	101,916	-	101,916
EXPENDITURES				
Economic and physical development:				
Community Development Block Grant-2016 Urgent Repair Program, URP-1224				
Administration	18,617	10,800	-	10,800
Housing rehabilitation	92,000	82,135	-	82,135
Total expenditures	110,617	92,935	-	92,935
Excess of revenues over (under) expenditures	-	8,981	-	8,981
Net change in fund balance	\$ -	\$ 8,981	-	\$ 8,981
FUND BALANCES				
Beginning fund balances			8,981	
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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 417,000	\$ 417,363	\$ 363	\$ 415,154
Prior years	11,000	4,622	(6,378)	5,721
Penalties and interest	-	1,933	1,933	2,016
Total revenues	428,000	423,918	(4,082)	422,891
EXPENDITURES				
Public safety:				
Contribution to Volunteer Fire Department	428,000	423,927	4,073	424,018
Excess of revenues over (under) expenditures	-	(9)	(9)	(1,127)
Net change in fund balance	\$ -	(9)	\$ (9)	(1,127)
FUND BALANCES				
Beginning fund balances (July 1)		6		1,133
Ending fund balances (June 30)		<u>\$ (3)</u>		<u>\$ 6</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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Ad valorem taxes	\$ 202,000	\$ 198,824	\$ (3,176)	\$ 198,362
Prior years	7,000	2,937	(4,063)	2,108
Penalties and interest	-	1,281	1,281	1,356
Total revenues	<u>209,000</u>	<u>203,042</u>	<u>(5,958)</u>	<u>201,826</u>
EXPENDITURES				
Public safety:				
Contribution to Volunteer Fire Department	209,000	203,048	5,952	202,722
Excess of revenues over (under) expenditures	-	(6)	(6)	(896)
Net change in fund balance	<u>\$ -</u>	<u>(6)</u>	<u>\$ (6)</u>	<u>(896)</u>
FUND BALANCES				
Beginning fund balances (July 1)		1		897
Ending fund balances (June 30)		<u>\$ (5)</u>		<u>\$ 1</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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 52,000	\$ 41,575	\$ (10,425)	\$ 42,515
EXPENDITURES				
Human services:				
IV-D child incentives	52,000	4,350	47,650	7,820
Legal fees	-	40,419	(40,419)	39,566
Other expenditures	250,000	9,042	240,958	1,528
Total expenditures	302,000	53,811	248,189	48,914
Excess of revenues over (under) expenditures	(250,000)	(12,236)	237,764	(6,399)
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	250,000	-	(250,000)	-
Total other financing sources (uses)	250,000	-	(250,000)	-
Net change in fund balance	\$ -	(12,236)	\$ (12,236)	(6,399)
FUND BALANCES				
Beginning fund balances (July 1)		241,605		248,004
Ending fund balances (June 30)		<u>\$ 229,369</u>		<u>\$ 241,605</u>

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2019

With Comparative Totals from Project Inception to June 30, 2018

	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	374,426	5,351	379,777
Total revenues	3,592,500	3,873,525	5,351	3,878,876
EXPENDITURES				
Economic and physical development:				
Administration	92,500	833	-	833
Equipment purchases	3,500,000	3,499,099	-	3,499,099
Other	-	-	179,595	179,595
Total expenditures	3,592,500	3,499,932	179,595	3,679,527
Excess of revenues over (under) expenditures	\$ -	\$ 373,593	(174,244)	\$ 199,349
FUND BALANCES				
Beginning fund balances			373,593	
Ending fund balances			<u>\$ 199,349</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, 2019

With Comparative Totals from Project Inception to June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date
EXPENDITURES				
Schools capital outlay				
MCS building repairs				
Construction and renovation	\$ 2,213,931	\$ 1,490,377	\$ 423,482	\$ 1,913,859
Engineering, legal, & other professional services	177,928	149,219	-	149,219
MCC building repairs				
Capital and equipment outlays	30,592	25,625	4,966	30,591
Engineering, legal, & other professional services	2,721	2,721	-	2,721
Repairs and maintenance	984,423	533,731	102,717	636,448
Other expenses	50,000	26,000	24,000	50,000
Total expenditures	3,459,595	2,227,673	555,165	2,782,838
 Excess of revenues over (under) expenditures	 (3,459,595)	 (2,227,673)	 (555,165)	 (2,782,838)
 OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (MCS building repairs)	2,391,859	1,823,913	482,245	2,306,158
from General fund (MCC building repairs)	1,067,736	853,773	173,989	1,027,762
Total other financing sources (uses)	3,459,595	2,677,686	656,234	3,333,920
 Net change in fund balance	 \$ -	 \$ 450,013	 101,069	 \$ 551,082
 FUND BALANCES				
Beginning fund balances			450,013	
Ending fund balances			<u>\$ 551,082</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, 2019

With Comparative Totals from Project Inception to June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Airport Block Grant-Fueling Station	\$ 299,100	\$ -	\$ 284,421	\$ 284,421
Airport Block Grant-Perimeter Fence	511,567	-	397,820	397,820
Airport Block Grant-Airport Layout Plan	70,000	-	38,845	38,845
Total revenues	880,667	-	721,086	721,086
EXPENDITURES				
Transportation				
Airport Block Grant-Fueling Station				
Construction	223,070	-	179,864	179,864
Capital and equipment outlays	29,000	-	15,832	15,832
Engineering, legal, & other professional services	47,030	6,756	81,970	88,726
Airport Block Grant-Perimeter Fence				
Construction	430,000	-	328,895	328,895
Engineering, legal, & other professional services	118,232	-	68,924	68,924
Airport Block Grant-Airport Layout Plan				
Engineering, legal, & other professional services	70,000	-	38,845	38,845
Airport Block Grant-future project	83,335	-	-	-
Total expenditures	1,000,667	6,756	714,330	721,086
Excess of revenues over (under) expenditures	(120,000)	(6,756)	6,756	-
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (past projects, unspent)	-	38,936	-	38,936
from General fund (Perimeter Fence)	36,665	-	-	-
from General fund (upcoming projects)	83,335	83,335	-	83,335
Total other financing sources (uses)	120,000	122,271	-	122,271
Net change in fund balance	\$ -	\$ 115,515	6,756	\$ 122,271
FUND BALANCES				
Beginning fund balances			115,515	
Ending fund balances			<u>\$ 122,271</u>	

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2019

With Comparative Totals from Project Inception to June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date
EXPENDITURES				
General government:				
Future projects	\$ 2,094,735	\$ -	\$ -	\$ -
Public safety:				
Animal Shelter-Replacement				
Construction	77,550	-	5,340	5,340
Capital and equipment outlays	5,000	-	-	-
Other	12,450	-	-	-
Total expenditures	2,189,735	-	5,340	5,340
Excess of revenues over (under) expenditures	(2,189,735)	-	(5,340)	(5,340)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (past projects, unspent)	-	398,005	-	398,005
from General fund (Animal Shelter)	95,000	-	-	-
from General fund (upcoming projects)	2,094,735	1,426,795	760,248	2,187,043
Total other financing sources (uses)	2,189,735	1,824,800	760,248	2,585,048
Net change in fund balance	\$ -	\$ 1,824,800	754,908	\$ 2,579,708
FUND BALANCES				
Beginning fund balances (July 1)			1,824,800	
Ending fund balances (June 30)			<u>\$ 2,579,708</u>	

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required and Other 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	132
b. Water Projects Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.b	134

The County's sole Enterprise Fund is the Water and Sewer 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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019			2018	
	Budget	Actual	Variance - Positive (Negative)	Actual	
REVENUES					
Operating revenues:					
Departmental fees-sales of services	\$ 3,934,000	\$ 4,161,432	\$ 227,432	\$	4,129,748
Other fees	54,000	59,788	5,788		59,788
Total operating revenues	3,988,000	4,221,220	233,220		4,189,536
Non-operating revenues:					
Intergovernmental revenues	-	54,926	54,926		-
Interest earned	30,000	100,456	70,456		55,588
Miscellaneous	2,500	15,535	13,035		3,793
Total non-operating revenues	32,500	170,917	138,417		59,381
Total revenues	4,020,500	4,392,137	371,637		4,248,917
EXPENDITURES					
Administration and operating expenditures:					
Salaries and employee benefits	760,189	666,927	93,262		785,067
Various professional services	83,700	116,732	(33,032)		301,475
Supplies and materials	416,250	357,076	59,174		225,298
Automotive fuels and supplies	25,000	28,387	(3,387)		30,693
Penalties and fines	-	75	(75)		129
Postage, shipping, delivery costs	36,500	42,448	(5,948)		39,446
Utilities	275,000	303,704	(28,704)		276,137
Repairs and maintenance	215,000	120,721	94,279		256,217
Rental/lease expenditures	21,610	39,786	(18,176)		25,023
Contracted services	149,800	122,840	26,960		122,751
Landfill charges & Sludge removal	11,000	18,479	(7,479)		8,647
Furniture, equipment, and tools	165,000	21,406	143,594		76,373
Sewer processing charges	53,250	76,812	(23,562)		71,239
Other	38,720	43,963	(5,243)		25,871
Total administration and operating expenditures	2,251,019	1,959,356	291,663		2,244,366
Debt service:					
Debt principal retirement	686,219	686,218	1		843,165
Debt interest paid	241,314	241,314	-		259,716
Debt service fees	4,603	-	4,603		-
Capital outlay expenditures	-	73,654	(73,654)		89,869
Total expenditures	3,183,155	2,960,542	222,613		3,437,116
Excess of revenues over (under) expenditures	837,345	1,431,595	594,250		811,801
OTHER FINANCING SOURCES (USES)					
Transfers out to Water Projects fund	(837,345)	(102,222)	735,123		(275,021)
Net change in fund balance (modified accrual basis)	\$ -	\$ 1,329,373	\$ 1,329,373	\$	536,780

(continued on next page)

County of Montgomery, North Carolina

a. Water Operations Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis

For the Year Ended June 30, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019			2018
	Budget	Actual	Variance - Positive (Negative)	Actual
(continued from previous page)				
Reconciliation of Modified Accrual Basis with Full Accrual Basis				
Net change in fund balance				
(modified accrual basis)		\$ 1,329,373		\$ 536,780
Revenue and expenditure activity of capital projects		(70,829)		(377,777)
Transfer of funds to capital projects		102,222		275,021
Non-cash gain (loss) on disposals of capital assets		-		(1,653)
Transfer of capital assets from (to) General Fund		-		15,636
Capital outlay expenditures		73,654		89,869
Acquisition of capital assets through project activity		264,144		278,265
Depreciation expense		(1,182,315)		(1,168,021)
Contributions to pension plan during this fiscal year		35,932		42,871
Pension expense		(34,396)		(8,053)
Change in compensated absences		20,886		2,836
Retirement of debt principal		686,218		843,165
Change in accrued payable for debt interest		1,927		3,145
Change in net position (full accrual basis)		<u>\$ 1,226,816</u>		<u>\$ 532,084</u>
Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis				
Departmental fees (modified accrual basis)		\$ 4,161,432		\$ 4,129,748
Bad debt expense (reduces revenue under MA basis)		67,307		62,063
Departmental fees (full accrual basis)		<u>\$ 4,228,739</u>		<u>\$ 4,191,811</u>

(continued from previous page)

County of Montgomery, North Carolina

b. Water Projects Fund: Schedule of Revenues and Expenditures

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

For the Year Ended June 30, 2019

With Comparative Totals from Project Inception to June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted				
NC DEQ DWI grant (various projects)	\$ 2,068,650	\$ 142,500	\$ 205,145	\$ 347,645
NC DOT Highway Improvement	102,000	-	46,800	46,800
Departmental fees-sales of services (prior projects)	-	246,577	-	246,577
Total revenues	2,170,650	389,077	251,945	641,022
EXPENDITURES				
Environmental protection:				
Correll Road Hydraulic Improvements (61.806):				
Capital outlays for property and equipment	7,400	7,398	-	7,398
Construction	218,550	207,355	-	207,355
Engineering & other professional services	54,050	50,800	-	50,800
Biscoe Meter Vault (61.807):				
Construction	106,200	105,741	-	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	59,965	253,355
Other expenses	22,700	-	-	-
Chemical Feed Rehab (61.809):				
Administration & Legal	29,500	-	109	109
Construction	371,000	-	-	-
Engineering & other professional services	67,500	24,737	30,905	55,642
Other expenses	132,000	-	940	940
Booster Pump Stations 1 & 2 Rehab (61.810):				
Administration & Legal	230,000	-	1,000	1,000
Property and equipment	-	-	4,949	4,949
Construction	1,496,600	-	-	-
Engineering & other professional services	182,400	88,000	107,180	195,180
Other expenses	191,000	-	363	363
Fairway Shores (61.811 & 812)				
Administration & Legal	55,000	-	18,809	18,809
Property and equipment	-	-	5,012	5,012
Construction	1,063,200	-	-	-
Engineering & other professional services	164,200	109,400	22,629	132,029
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	5,500	6,300
Other expenses	23,600	1,116	-	1,116

(continued on next page)

County of Montgomery, North Carolina

b. Water Projects Fund: Schedule of Revenues and Expenditures

-- Budget to Actual; non-GAAP modified accrual basis (Continued)

For the Year Ended June 30, 2019

With Comparative Totals from Project Inception to June 30, 2018

	Project Authorization	Prior Years	Current Year	Total to Date
EXPENDITURES (continued)				
Environmental protection (continued):				
Sewer Consolidation Study (61.814 & 815)				
Administration & Legal	6,500	1,500	-	1,500
Engineering & other professional services	93,750	-	3,613	3,613
Raw Water Pump Station (61.816)				
Administration & Legal	56,300	-	-	-
Construction	1,314,300	-	-	-
Engineering & other professional services	194,000	-	15,000	15,000
Other expenses	185,400	-	-	-
Waterline Relocation and Betterment (61.817)				
Construction	59,025	-	-	-
Engineering & other professional services	102,000	-	46,800	46,800
Other expenses	13,975	-	-	-
Total expenditures	7,299,250	838,100	322,774	1,160,874
Excess of revenues over (under) expenditures	(5,128,600)	(449,023)	(70,829)	(519,852)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from Water System fund (prior projects)	-	190,757	-	190,757
from Water System fund (61.806)	280,000	265,554	-	265,554
from Water System fund (61.807)	119,000	117,941	-	117,941
from Water System fund (61.808)	200,000	-	82,458	82,458
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	14,264	123,664
from Water System fund (61.813)	300,000	27,329	5,500	32,829
from Water System fund (61.816)	185,400	-	-	-
from Water System fund (61.817)	73,000	-	-	-
Transfers out:				
Proceeds from loan issues (various projects)	3,067,700	-	-	-
Total other financing sources (uses)	5,128,600	823,718	102,222	925,940
Net difference	\$ -	\$ 374,695	31,393	\$ 406,088

FUND BALANCES

Beginning fund balances (July 1)
Ending fund balances (June 30)

374,695
\$ 406,088

(continued from previous page)

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required and Other 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	137

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, 2019

	Beginning Balance 2018	Additions	Deductions	Ending Balance 2019
SSA Representative Payee Conserved Trust Fund				
Assets				
Cash and cash equivalents	\$ 20,806	\$ 165,293	\$ (157,774)	\$ 28,325
Liabilities				
Accounts payable	\$ 20,806	\$ 165,793	\$ (158,274)	\$ 28,325
Property Tax Agency Fund				
Assets				
Cash and cash equivalents	\$ 32,949	\$ 2,237,393	\$ (2,229,131)	\$ 41,211
Taxes receivable	295,646	2,151,426	(2,114,356)	332,716
Total assets	\$ 328,595	\$ 4,388,819	\$ (4,343,487)	\$ 373,927
Liabilities				
Accounts payable	\$ 32,417	\$ 2,249,526	\$ (2,240,836)	\$ 41,107
Unearned tax revenues	532	104	(532)	104
Deferred inflows of resources				
Property taxes receivable, net	295,646	2,072,238	(2,035,168)	332,716
Total liabilities and deferred inflows	\$ 328,595	\$ 4,321,868	\$ (4,276,536)	\$ 373,927
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable	\$ -	\$ 267,608	\$ (267,608)	\$ -
Liabilities				
Due to other taxing units	\$ -	\$ 267,608	\$ (267,608)	\$ -
- Montgomery County Board of Education				
Inmate Trust Fund				
Assets				
Cash and cash equivalents	\$ 32,261	\$ 58,850	\$ (73,933)	\$ 17,178
Liabilities				
Accounts payable	\$ 32,261	\$ 212,764	\$ (227,847)	\$ 17,178
Soil & Water Conservation Trust Fund				
Assets				
Cash and cash equivalents	\$ 17,531	\$ 3,283	\$ (2,206)	\$ 18,608
Liabilities				
Accounts payable	\$ 17,531	\$ 25,571	\$ (24,494)	\$ 18,608

(continued on next page)

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2019

	Beginning Balance 2018	Additions	Deductions	Ending Balance 2019
(continued from previous page)				
Agricultural Advisory Board Trust Fund				
Assets				
Cash and cash equivalents	\$ 8,022	\$ 1,000	\$ -	\$ 9,022
Liabilities				
Accounts payable	\$ 8,022	\$ 1,000	\$ -	\$ 9,022
TOTALS, All Agency Funds				
Assets				
Cash and cash equivalents	\$ 111,569	\$ 2,465,819	\$ (2,463,044)	\$ 114,344
Taxes receivable	295,646	2,151,426	(2,114,356)	332,716
Intergovernmental receivable	-	267,608	(267,608)	-
Total assets	\$ 407,215	\$ 4,884,853	\$ (4,845,008)	\$ 447,060
Liabilities				
Accounts payable	\$ 111,037	\$ 2,654,654	\$ (2,651,451)	\$ 114,240
Unearned tax revenues	532	104	(532)	104
Due to other taxing units	-	267,608	(267,608)	-
Subtotal liabilities	\$ 111,569	\$ 2,922,366	\$ (2,919,591)	\$ 114,344
Deferred inflows of resources				
Property taxes receivable, net	295,646	2,072,238	(2,035,168)	332,716
Subtotal deferred inflows	\$ 295,646	\$ 2,072,238	\$ (2,035,168)	\$ 332,716
Total liabilities and deferred inflows	\$ 407,215	\$ 4,994,604	\$ (4,954,759)	\$ 447,060

(continued from previous page)

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required and Other 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	140
b. Montgomery County Tourism Development Authority: Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.D.7.b	141

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, 2019

With Comparative Totals as of June 30, 2018

		Totals	
		2019	2018
ASSETS			
Cash and cash equivalents	\$	173,043	\$ 152,156
Due from other governments		-	247
Prepaid items		485	74
Total assets	\$	173,528	\$ 152,477
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Fund balances:			
Non-spendable			
Prepaid items	\$	485	\$ 74
Restricted			
Stabilization of State Statute		-	247
Tourism promotion		173,043	152,156
Total fund balances		173,528	152,477
Total liabilities, deferred inflows and fund balances	\$	173,528	\$ 152,477

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, 2019

With Comparative Totals For the Year Ended June 30, 2018

	2019		2018	
	Budget	Actual	Variance - Positive (Negative)	Actual
REVENUES				
Occupancy taxes on overnight lodging facilities	\$ 45,000	\$ 42,208	\$ (2,792)	\$ 43,532
Total revenues	45,000	42,208	(2,792)	43,532
EXPENDITURES				
Economic development (tourism promotion)				
Tourism and event promotion	30,000	21,000	9,000	2,500
Operating expenditures	165,000	157	164,843	3,131
Total expenditures	195,000	21,157	173,843	5,631
Excess of revenues over (under) expenditures	(150,000)	21,051	(176,635)	37,901
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	150,000	-	(150,000)	-
Total other financing sources (uses)	150,000	-	(150,000)	-
Net change in fund balance	\$ -	21,051	\$ (326,635)	37,901
FUND BALANCES				
Beginning fund balances (July 1)		152,477		114,576
Ending fund balances (June 30)		<u>\$ 173,528</u>		<u>\$ 152,477</u>

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
E. Other Schedules

	<u>Identifier</u>	<u>Page No.</u>
1. Schedule of Cash and Investment Balances - Primary Government	Exhibit II.E.01	143
2. Schedule of Interfund Transfers	Exhibit II.E.02	144
3. Analysis of Current Tax Levy - County Government	Exhibit II.E.03	145
4. Schedule of Ad Valorem Taxes Receivable - County Government (11)	Exhibit II.E.04	146
5. Principal Taxpayers from Selected Years (Now, -4, -8, and -12)	Exhibit II.E.05	147

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, 2019

		Cash Distribution by Funds		
		Amounts Presented on Statements *		
	Fund Number			Totals
Cash and cash equivalents				
Unrestricted cash and cash equivalents				
General Fund	10-17	\$	16,593,933	
Special Revenue Funds:			662,053	
Emergency Telephone System Fund	20	29,366		
EMPG Fund	23	186,713		
Community Development Fund	24	8,981		
Badin Lake Fire District Fund	26	3,101		
Lake Tillery Fire District Fund	29	1,932		
Child Incentives Fund	33	232,611		
Golden LEAF - Aseptia Fund	37	199,349		
Capital Projects Funds:			12,915,530	
School Projects	46	390,615		
Educational Facilities	47	9,839,376		
Airport Projects	48	100,491		
County Projects	49	2,585,048		
Enterprise Fund, unrestricted cash	60-61		6,233,316	
Total unrestricted cash and cash equivalents			\$	36,404,832
Restricted cash				
General Fund	10-17		773,669	
Capital Projects Funds			37,870,075	
County Projects	49	37,870,075		
Total restricted cash				38,643,744
Total cash and cash equivalents of the Primary Government			\$	75,048,576
(see Exhibit II.C.1.a, Government-Wide Statement of Net Position)				
Other cash and cash equivalents				
Agency Funds	70-81		114,344	
Total cash and cash equivalents			\$	75,162,920
		Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
Cash				
In physical possession		\$ 1,705	\$ 1,705	\$ 1,705
In demand deposits		4,613,211	4,613,211	4,613,211
Total cash		4,614,916	4,614,916	4,614,916
Cash equivalents				
NC Capital Management Trust (money market accounts)		44,338,138	44,338,138	44,338,138
Other money market accounts		211,366	211,366	211,366
Commercial paper		7,866,748	7,980,440	7,980,440
U.S. Government agencies		17,806,542	17,975,550	18,018,060
Total cash equivalents		70,222,794	70,505,494	70,548,004
Total cash and cash equivalents		\$ 74,837,710	\$ 75,120,410	\$ 75,162,920

* 'Amounts Presented on Statements' may include an estimated amount of accrued interest; however, the amount of accrued interest is not included in the 'Purchase Value' or the 'Fair (Market) Value'

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

For the Year Ended June 30, 2019

	Transfers out from:					Total
	General Fund	Emergency Telephone Fund	EMPG Fund	Child Incentives Fund	Water Operations Fund	
Transfers in to:						
Schools Projects Fund	\$ 656,234	\$ -	\$ -	\$ -	\$ -	\$ 656,234
Educational Facilities Fund	4,263,295	-	-	-	-	4,263,295
County Projects Fund	760,248	-	-	-	-	760,248
Water Projects Fund	-	-	-	-	102,222	102,222
Total	\$ 5,679,777	\$ -	\$ -	\$ -	\$ 102,222	\$ 5,781,999

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

For the Year Ended June 30, 2018

	Transfers out from:					Total
	General Fund	Emergency Telephone Fund	EMPG Fund	Child Incentives Fund	Water Operations Fund	
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 System Fund	-	-	-	-	275,021	275,021
Total	\$ 7,470,004	\$ 82,800	\$ -	\$ -	\$ 275,021	\$ 7,827,825

County of Montgomery, North Carolina

3. Analysis of Current Tax Levy - County Government

For the Year Ended June 30, 2019

	County-Wide			Levy	
	Property Valuation	Rate per \$100	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	\$ 3,118,622,553	0.62000	\$ 19,335,464	\$ 17,753,688	\$ 1,581,776
Penalties (late charges)			18,291	18,291	-
Subtotals	<u>3,118,622,553</u>		<u>19,353,755</u>	<u>17,771,978</u>	<u>1,581,776</u>
Discoveries, Late Listings, and Other Supplements					
Public Service Companies	96,095,102	0.62000	595,790	595,790	-
Property taxed at current year's rate	620,375	0.62000	3,846	3,846	-
Property taxed at prior year's rate	1,396,887	0.62000	8,661	8,661	-
Property taxed at prior year's rate	4,892	0.57000	28	28	-
Subtotals	<u>98,117,256</u>		<u>608,325</u>	<u>608,325</u>	<u>-</u>
Abatements					
Property taxed at current year's rate	(2,224,221)	0.62000	(14,073)	(14,073)	-
Property taxed at prior year's rate	(166,211)	0.62000	(1,031)	(1,031)	-
Subtotals	<u>(2,390,432)</u>		<u>(15,103)</u>	<u>(15,103)</u>	<u>-</u>
Totals	<u>\$ 3,214,349,377</u>		<u>19,946,976</u>	<u>18,365,199</u>	<u>1,581,776</u>
Net Levy			19,946,976	18,365,199	1,581,776
Less Uncollected Taxes, Current Year, at June 30			(507,793)	(507,793)	-
Current Year's Taxes Collected			<u>\$ 19,439,183</u>	<u>\$ 17,857,406</u>	<u>\$ 1,581,776</u>
Current Levy Collection Percentage (current year's taxes collected / net levy)			97.454%	97.235%	100.000%

Secondary Market Disclosures:

Assessed Valuations:

Assessment Ratio 100%

Real Property \$ 2,499,564,396 0.62000 \$ 15,497,299

Personal Property (current rate) 617,454,311 0.62000 3,828,217

Personal Property (prior rate) 1,235,568 0.57000 7,658

Public Service Companies 96,095,102 0.62000 595,790

Penalties 18,291

Totals \$ 3,214,349,377 \$ 19,947,255

County of Montgomery, North Carolina

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

June 30, 2019

Fiscal Year Ended June 30	Uncollected Balance 2018	Additions		Deductions		Uncollected Balance 2019
		Original Levy	Supplements	Collections	Abatements and Other Credits	
County Government (11+14)						
2019	\$ -	\$ 19,353,755	\$ 608,325	\$ (19,439,183)	\$ (28,573)	\$ 494,323
2018	629,354		-	(178,501)	(1,592)	449,261
2017	205,554		-	(57,298)	(99)	148,157
2016	138,547		-	(32,786)	(67)	105,694
2015	91,756		-	(15,281)	(23)	76,452
2014	102,937		-	(18,124)	-	84,813
2013	94,463		-	(8,586)	-	85,877
2012	90,417		-	(3,735)	-	86,682
2011	74,178		-	(3,286)	-	70,892
2010	60,280		-	(1,683)	-	58,597
2009	55,084		-	(337)	-	54,747
older	104,827		-	(6)	(43,354)	61,467
	1,647,397	\$ 19,353,755	\$ 608,325	\$ (19,758,806)	\$ (73,708)	1,776,962
	(872,363)	Less allowance for uncollectible ad valorem taxes receivable				(849,068)
		Less allowance for uncollectible ad valorem taxes receivable-Public Schools				
	\$ 775,034	Ad valorem taxes receivable, net				\$ 927,894

Reconciliation with revenues:

Total reported ad valorem tax revenues (see Exhibit II.C.2.b)	\$ 19,792,962
Collections of taxes from years already written off as uncollectible	6
DMV collection charges, refunds, and other adjustments	95,462
Penalties, interest, and advertising fees	(129,624)
Total collections of taxes (as above)	<u>\$ 19,758,806</u>

Reconciliation with receivables:

Total reported taxes receivable, net (see Exhibit II.C.2.a)	\$ 939,347
Property tax discovery receivable for subsequent year	11,453
Total ad valorem taxes receivable (as above)	<u>\$ 927,894</u>

County of Montgomery, North Carolina

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

For the Year Ended June 30, 2019

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Cube Yadkin Generation LLC	Utilities	\$ 93,291,974	2.902%	\$ 578,410	1
2. Jordan Lumber & Supply	Manufacturing	66,617,683	2.073%	413,030	4
3. Duke Energy Progress	Utilities	61,259,826	1.906%	379,811	2
4. Unilin N.A.	Manufacturing	45,793,936	1.425%	283,922	3
5. Troy Lumber Co	Manufacturing	34,837,215	1.084%	215,991	5
6. Wright Foods Group	Manufacturing	29,534,428	0.919%	183,114	6
7. Mountaire Farms	Manufacturing	16,021,169	0.498%	99,331	7
8. Montgomery Solar	Utilities	11,293,095	0.351%	70,017	10
9. Randolph EMC	Utilities	10,435,460	0.325%	64,700	11
10. The Tillery Tradition	Real Estate Development	9,821,452	0.306%	60,893	12
11. Grede II LLC	Manufacturing	9,357,965	0.291%	58,019	14
12. Toshiba America	Manufacturing	8,264,896	0.257%	51,242	n/a
Totals		\$ 396,529,099	12.336%	\$ 2,458,480	
Total Assessed Valuation and Levy		3,214,349,377		19,946,976	

County of Montgomery, North Carolina

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

(continued from above and on next page)

For the Year Ended June 30, 2015

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Alcoa Power Generating	Utilities	\$ 92,018,500	3.114%	\$ 524,505	1
2. Duke Energy Progress	Utilities	53,731,122	1.818%	306,267	2
3. Jordan Lumber & Supply	Manufacturing	37,717,708	1.276%	214,991	3
4. Unilin N.A.	Manufacturing	33,197,163	1.123%	189,224	4
5. Wright Foods	Manufacturing	15,289,556	0.517%	87,150	13
6. Redus NC Land	Real Estate Development	12,963,100	0.439%	73,890	6
7. Mountaire Farms	Manufacturing	12,437,825	0.421%	70,896	8
8. Troy Lumber Co	Manufacturing	12,220,986	0.414%	69,660	9
9. The Tillery Tradition	Real Estate Development	11,165,195	0.378%	63,642	11
10. Randolph EMC	Utilities	10,040,999	0.340%	57,234	5
11. Paperwork Industries	Manufacturing	8,948,773	0.303%	51,008	10
12. Suddekor	Manufacturing	8,736,477	0.296%	49,798	14
Totals		\$ 308,467,404	10.438%	\$ 1,758,264	
Total Assessed Valuation and Levy		2,955,172,328		16,863,959	

County of Montgomery, North Carolina

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

(continued from above and on next page)

For the Year Ended June 30, 2011

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Alcoa Power Generating	Utilities	\$ 69,635,318	2.996%	\$ 466,557	1
2. Progress Energy Carolinas	Utilities	43,236,203	1.860%	252,164	3
3. Unilin N.A.	Manufacturing	38,752,367	1.667%	259,641	2
4. Jordan Lumber & Supply	Manufacturing	34,271,729	1.475%	229,621	4
5. The Tillery Tradition	Real Estate Development	19,567,181	0.842%	131,100	6
6. Mountaire Farms	Manufacturing	15,833,374	0.681%	106,084	5
7. Troy Lumber Co	Manufacturing	14,112,375	0.607%	94,553	7
8. Grede II	Manufacturing	13,324,959	0.573%	89,277	8
9. Randolph EMC	Utilities	9,648,156	0.415%	51,466	11
10. Central Telephone Co	Utilities	9,554,520	0.411%	50,881	9
11. Lake Badin Associates	Real Estate Development	9,198,300	0.396%	61,629	10
12. Suddekor	Manufacturing	8,673,290	0.373%	58,111	12
Totals		<u>\$ 285,807,772</u>	<u>12.298%</u>	<u>\$ 1,851,084</u>	
Total Assessed Valuation and Levy		2,324,027,948		15,568,889	

County of Montgomery, North Carolina

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

(continued below and from previous page)

For the Year Ended June 30, 2007

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Unilin N.A.	Manufacturing	\$ 60,080,388	2.759%	\$ 348,608	1
2. Duke Energy Progress	Utilities	45,939,569	2.109%	228,429	3
3. Alcoa Power Generating	Utilities	41,649,490	1.912%	241,567	2
4. Jordan Lumber & Supply	Manufacturing	31,838,304	1.462%	184,662	4
5. The Tillery Tradition	Real Estate Development	18,382,800	0.844%	106,620	5
6. Central Telephone Co	Utilities	12,572,827	0.577%	58,869	7
7. Mountaire Farms	Manufacturing	11,802,328	0.542%	68,535	10
8. Citation Castings	Manufacturing	10,862,153	0.499%	81,971	6
9. Randolph EMC	Utilities	10,719,541	0.492%	49,916	9
10. Troy Lumber Co	Manufacturing	10,557,392	0.485%	61,233	8
11. Eldorado Development Corp.	Real Estate Development	10,031,800	0.461%	58,184	n/a
12. Lake Badin Associates	Real Estate Development	9,470,009	0.435%	54,716	11
Totals		<u>\$ 273,906,601</u>	<u>12.577%</u>	<u>\$ 1,543,310</u>	
Total Assessed Valuation and Levy		2,177,841,802		12,667,836	

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019

III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS

	<u>Identifier</u>	<u>Page No.</u>
A. Independent Auditors' Reports	Subsection III.A.	150
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	150
2. 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	Exhibit III.A.2	152
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	154
B. Schedule of Findings and Questioned Costs	Subsection III.B.	156
C. Corrective Action Plan	Subsection III.C.	163
D. Summary Schedule of Prior Audit Findings	Subsection III.D.	165
E. Schedule of Expenditures of Federal and State Awards	Subsection III.E.	166
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit III.E.1	170

This section contains schedules and auditor reports required by 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 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, North Carolina

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, 2019, 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, 2020.

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 2019-1, 2019-2, 2019-3, and 2019-4 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 2019-1, 2019-2, 2019-3, and 2019-4.

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 and corrective action plan. 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, 2020
Raleigh, North Carolina

**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, North Carolina

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, 2019. 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, 2019.

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 2019-1, 2019-2, 2019-3 and 2019-4 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, 2020
Raleigh, North Carolina

**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, North Carolina\

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, 2019. 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 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, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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, 2019.

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.

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, 2020
Raleigh, North Carolina

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2019
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? _____ Yes X 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, 2019
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

SECTION I - SUMMARY OF AUDITORS' RESULTS (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? _____ Yes X 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? _____ Yes X No

Identification of major State programs:

Special Programs for the Aging - Aging Cluster
Public School Building Capital Fund - Lottery Proceeds
State Aid to Airports

SECTION II - FINANCIAL STATEMENT FINDINGS

No Findings.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2019
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2019-1 (Repeat Finding of 2018-1)

Day Sheet Testing

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

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.

Condition: Of the 25 day sheets selected, one selection had no timestamp found in NC FAST evidencing work done on the day selected for testing or by the employee selected for testing. 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.

Questioned Costs: Out of 11,600 minutes selected for testing, 570 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 have a formal process for requiring sufficient evidence within case files to support the time recorded on the day sheets.

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. We believe that the exceptions noted were caused by oversight within the monitoring and review process of day sheet recording.

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 continue to improve its oversight and review process of day sheets as deemed practical.

Views of responsible officials and planned corrective actions: The County agrees with this finding, notes the significant improvement from prior years, and will continue to seek process improvements.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2019
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2019-2 (Repeat Finding of 2018-2)

Eligibility

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

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.

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

Context: Out of 91 adult Medicaid files that were reviewed seven 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.

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 NC FAST 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, yet cannot implement the recommendation to conduct second party reviews on ALL applications PRIOR TO determining eligibility without increased staff. To implement such a process would require at least one additional staff and the costs may far exceed any benefit. In addition, the technical errors within NC FAST seem to be growing and the State has failed to provide sufficient resources to support error mitigation and ongoing improvements to NC FAST.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2019
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2019-3

Reporting

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

Criteria: Proper and effective controls should be in place and operating in order to ensure that appropriate checks and balances occur in relation to charging costs to a program for travel expenditures to ensure that travel expenditures are claimed within allowable limits and are properly documented.

Condition: Five travel expenditures did not have evidence of management approval.

Questioned Costs: None. The expenditures were in accordance with the county wide travel plan, and coded correctly as to program code.

Cause: The County did not have a formal process for requiring written approval for travel expenditures that were charged to Part II of DSS-1571.

Context: All expenses coded to travel for the months of December 2018 and January 2019 were tested and 100% of the travel expenses for those two months were reviewed. Out of five travel expenditures reviewed, five did not provide evidence of a supervisor signature on the documentation supporting the travel expenditure.

Effect: Amounts charged to travel could be incorrect.

Recommendation: We recommend that the County ensure that all travel expenses coded to and reported on the Form DSS-1571 provide evidence of a supervisor signature prior to payment.

Views of responsible officials and planned corrective actions: The County agrees with this finding and has implemented processes to provide evidence that a supervisor signature is being obtained prior to payment.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2019
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
B: Schedule of Findings and Questioned Costs (Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding 2019-4

Eligibility

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

Criteria: In accordance with the requirements and policies established for this program, residency, income and identification should be properly verified in order to determine whether an applicant is or is not eligible to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children program.

Condition: One applicants was found to not have a signed affidavit to support a zero income declaration in order to be eligible for the program.

Questioned Costs: \$195.40

Cause: The oversight process to ensure all required affidavits are on file did not operate effectively.

Context: Out of 60 case files that were reviewed, one applicant was found to not have the required affidavit on file supporting zero income declaration.

Effect: Applicants for the Special Supplemental Nutrition Program for Women, Infants, and Children could be improperly denied or accepted due to error.

Recommendation: We recommend that the County implement a formal process to review case files to ensure all required documents are maintained in the file supporting the participant's eligibility.

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, 2019
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

No Findings.

COUNTY OF MONTGOMERY

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BOARD OF COMMISSIONERS

Dottie Robinson	Chair, At Large
Harvey Mack	Vice Chair, D3
Grant Hinson	Commissioner, D2
Jim Matheny	Commissioner, D1
Mike Criscoe	Commissioner, At Large

OFFICERS

Matthew M. Woodard	County Manager
Chris Watkins	Sheriff
Melissa F. Pipkin	Register of Deeds
Russell J. Hollers	County Attorney
Misty H. Coffin	Clerk to the Board
C.D. Crepps	Finance Director

C: Corrective Action Plan

January 31, 2020

Via this subsection entitled "Corrective Action Plan", management of the County of Montgomery, North Carolina offer readers of this *Annual Financial and Compliance Report for the Fiscal Year Ended June 30, 2019* a response to the findings identified by the auditors in the previous subsection. To gain understanding, please read the following statements in conjunction with the other information furnished in this section.

SECTION II- FINANCIAL STATEMENT FINDINGS

No Findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding:

2019-1

Name of Contact Person:

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, significant improvement has been made compared to the previous fiscal year. Management will continue to make strides in improving and ensuring that the oversight and re-training process is operating effectively.

Proposed Date of Completion:

Immediately

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Finding: 2019-2

Name of Contact Person: Leigh Ann Hogan, Medicaid Supervisor, Department of Social Services

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 minimum. We have tightened our quality assurance and oversight. Unfortunately, the State controls NC FAST and has a limited budget to address issues. We continue to look for ways to improve quality and efficacy. Continued progress is expected.

Proposed Date of Completion: Immediately

Finding: 2019-3

Name of Contact Person: Caleb Hawkins, Administrative Officer, Department of Social Services

Corrective Action: The Director, Administrative Officer, and program supervisors have implemented a policy to route all required travel-related documentation to the Administrative Officer for review, approval, and signature. The signed form will be used as supporting documentation for the payment of travel-related expenditures.

Proposed Date of Completion: Immediately

Finding: 2019-4

Name of Contact Person: Mary Perez-Baldwin, Health Director, Department of Health

Corrective Action: Both the Director and program supervisor will implement a policy to randomly select several case files on a quarterly basis to ensure all required documentation supporting eligibility is included in the case file.

Proposed Date of Completion: Immediately

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

No Findings.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2019
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
D: Summary Schedule of Prior Audit Findings

Finding:	2018-1
Status:	Repeat Finding. The County has made significant improvement over its review and oversight process of daysheets. However, some instances of noncompliance were noted in the current year. Refer to finding 2019-1.
Finding:	2018-2
Status:	Repeat Finding. The County is continuing to make improvements as it relates to eligibility determinations. Even though none affected eligibility, during the current year, several technical errors were reported. Refer to finding 2019-2.
Finding:	2018-3
Status:	Corrected.

County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	Passed- through to Subrecipients	County Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
<u>Direct program:</u>						
Secure Rural Schools-National Timber Receipts	10.665	-	\$ 64,210	\$ -	\$ (64,210)	\$ -
<u>Passed-Through N.C. Department of Health and Human Services:</u>						
<u>Division of Public Health:</u>						
Special Supplemental Nutrition Program for Women, Infants, and Children - administration	10.557	540[X];570[X]	191,810	-	-	-
<u>Total Division of Public Health</u>			<u>191,810</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Passed-Through N.C. Department of Health and Human Services:</u>						
<u>Division of Social Services:</u>						
<u>Administration:</u>						
<u>Supplemental Nutrition Assistance Program Cluster:</u>						
Supplemental Nutrition Asst. Program - State	10.561	404, 417	252,278	-	-	252,278
Food Stamps Incentive Retention	10.561	455	10,309	-	-	-
Supplemental Nutrition Assistance Program - Fraud	10.561	405	30,882	-	-	30,882
<u>Total Supplemental Nutrition Assistance Program Cluster</u>			<u>293,469</u>	<u>-</u>	<u>-</u>	<u>283,160</u>
<u>Total U.S. Department of Agriculture</u>			<u>549,489</u>	<u>-</u>	<u>(64,210)</u>	<u>283,160</u>
<u>U.S. Department of Health and Human Services</u>						
<u>Passed-Through N.C. Department of Health and Human Services:</u>						
<u>Divisions of Aging and Social Services (thru Piedmont Triad Regional Council):</u>						
<u>Aging Cluster:</u>						
Special Programs for the Aging - In Home Services	93.044	-	14,625	10,354	(24,979)	10,365
III-B Grants for Supportive Services	93.044	-	35,333	71,673	(107,006)	82,604
Congregate Nutrition	93.045	-	30,203	1,778	(31,981)	13,271
Home Delivered Nutrition	93.045	-	59,800	43,375	(103,175)	42,814
NSIP Supplement	93.053	-	14,149	-	(14,149)	5,871
<u>Total Aging Cluster</u>			<u>154,110</u>	<u>127,180</u>	<u>(281,290)</u>	<u>154,925</u>
Social Services Block Grant - In Home Services	93.667	022, 030	5	-	(5)	1
<u>Total Division of Aging</u>			<u>154,115</u>	<u>127,180</u>	<u>(281,295)</u>	<u>154,926</u>
<u>Division of Child Development:</u>						
<u>Subsidized Child Care Cluster:</u>						
<u>Child Care Development Fund Sub-Cluster:</u>						
Child Care and Development Fund -- Administration - via Division of Social Services	93.596	364	60,403	-	-	-
<u>Total Child Care Development Fund Sub-Cluster</u>			<u>60,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Subsidized Child Care Cluster</u>			<u>60,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Division of Social Services:</u>						
<u>Medicaid Cluster:</u>						
Adult Care Home Case Mgmt/Spec	93.778	211, 213, 396	8,748	4,222	-	4,526
Medical Assistance Services (MAC)	93.778	477	4,378	-	-	4,378
Medical Assistance Administration	93.778	412, 422, 441	542,591	-	-	180,865
Medical Transportation Administration	93.778	375	44,901	-	-	44,901
State-County Special Assistance	93.778	128, 131, 151	27,450	-	-	9,150
<u>Total Medicaid Cluster</u>			<u>628,068</u>	<u>4,222</u>	<u>-</u>	<u>243,820</u>

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County of Montgomery, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2019
III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	Passed- through to Subrecipients	County Expenditures
Federal Awards: (continued from previous page)						
<u>Centers for Medicare and Medicaid Services:</u>						
<u>Division of Public Health:</u>						
Public Health Emergency Preparedness	93.074	2680;2784	29,021	-	-	6,222
Tuberculosis Control Programs	93.116	272[A/B/C/D/E]	34,479	6,329	-	75,745
Immunization Program/Aid to County Funding	93.268	623C;625C;627E;631E	11,090	-	-	59,368
PPHF: Preventive Health Services	93.758	5503	35,810	4,137	-	4,707
STD Control Programs	93.977	462[A/B/C/D/E]	42	-	-	-
Maternal and Child Health Services Block Grant	93.994	5107;5318;5735,-40,-45	138,716	80,725	-	432,857
<u>Total Division of Public Health</u>			<u>249,158</u>	<u>91,191</u>	<u>-</u>	<u>578,899</u>
<u>Foster Care and Adoption Assistance Cluster:</u>						
IV-E Foster Care Training	93.658	96, 97	120,550	-	-	120,300
IV-E Child Protective Services	93.658	072, 074	6,580	6,580	-	-
IV-E Admin County Paid	93.658	-	19,324	9,662	-	9,662
IV-E Family Foster Max	93.658	-	1,635	-	-	795
IV-E Foster Care	93.658	-	117,938	28,704	-	28,703
IV-E Adoption Subsidy	93.659	-	90,603	22,090	-	25,735
IV-E Adoption Training	93.659	-	3,381	-	-	3,380
Child Welfare Services Adoption Subsidy	-	-	-	25,244	-	1,743
State Child Welfare/CPS/Caseload	-	-	-	14,539	-	-
Special Provision for Special Assistance (HB 1030)	-	-	-	11,883	-	14,297
State-County / Special Assistance Domiciliary Care Payments	-	-	-	254,458	-	254,457
State Foster Home and Families Maximization	-	-	-	2,351	-	2,351
Foster Care, Caseworker	-	109	15,122	-	-	1,022
<u>Total Foster Care and Adoption Assistance Cluster</u>			<u>375,133</u>	<u>375,511</u>	<u>-</u>	<u>462,445</u>
Family Preservation	93.556	-	11,742	-	-	-
<u>TANF Cluster:</u>						
TANF Payments and Penalties	93.558	-	119,738	-	-	-
TANF Public Health Services	93.558	5151	5,452	-	-	-
Work First Services	93.558	047, '049	186,271	-	-	181,192
Work First Administration	93.558	046, '048	42,264	-	-	73,029
<u>Total TANF Cluster</u>			<u>353,725</u>	<u>-</u>	<u>-</u>	<u>254,221</u>
AFDC Incentives / Program Integrity	-	267	-	765	-	-
IV-D Offset Fees Federal	93.563	-	1,186	-	-	611
IV-D Offset Fees ESC	93.563	-	31	-	-	16
IV-D Admin-Government Service Contract	93.563	423, 449	278,330	-	-	143,382
Refugee Assistance Administration	93.566	-	48	-	-	-
Low-Income Home Energy Assistance Program	93.568	372	132,515	-	-	-
LIHEAP Administration	93.568	-	(108,937)	-	-	-
Crisis Intervention Planning Services	93.568	372	143,682	-	-	-
Energy Assistance - private grants	-	-	-	2,839	-	-
Permanency Planning - Services and Administration	93.645	368, 464, 465	1,116	-	-	372
Social Services Block Grant	93.667	10, 394, 395, 607, 608	80,145	-	-	26,715
LINKS	93.674	290, 291	321	80	-	-
N. C. Health Choice	93.767	440, 441, 483, 10126	10,627	-	-	-
<u>Office of Population Affairs:</u>						
Family Planning	93.217	592[A/B/C/D/E]	22,646	-	-	199,745
<u>Total U.S. Department of Health and Human Services</u>			<u>2,394,054</u>	<u>601,788</u>	<u>(281,295)</u>	<u>2,065,152</u>

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

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	Passed- through to Subrecipients	County Expenditures
Federal Awards: (continued from previous page)						
<u>U.S. Department of Justice</u>						
<u>Direct Program:</u>						
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0824	8,438	-	-	-
Bulletproof Vests	16.607	-	2,545	-	-	2,433
<u>Total U.S. Department of Justice</u>			<u>10,983</u>	<u>-</u>	<u>-</u>	<u>2,433</u>
<u>U.S. Federal Emergency Management Agency</u>						
<u>Direct program:</u>						
Emergency Response - Hurricane Florence	97.036	-	62,530	-	-	-
<u>Passed-Through N.C. Department of Public Safety:</u>						
Emergency Management Program	83.552	-	38,524	-	-	-
<u>Total U.S. Federal Emergency Management Agency</u>			<u>101,054</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Federal Awards</u>			<u>3,055,580</u>	<u>601,788</u>	<u>(345,505)</u>	<u>2,350,745</u>
 State Awards:						
<u>N.C. 911 Board</u>						
State E911 Charges Distributed		-	-	175,917	-	31,082
<u>N.C. Department of Administration</u>						
Veteran Services		-	-	2,216	-	40,527
<u>N.C. Department of Commerce</u>						
NC One Grant - Carolina Structural		-	-	50,000	(50,000)	16,667
<u>N.C. Department of Environmental Quality</u>						
Infrastructure Grant-Asset Inventory * Assessment		H-AIA-D-16-0019	-	7,500	-	52,466
Infrastructure Grant - Chemical Feed Systems Rehab		H-SRP-D-17-0080	-	31,954	-	-
Infrastructure Grant - Booster Pump Stations Rehab		H-SRP-D-17-0084	-	113,492	-	-
Infrastructure Grant - Fairway Shores		H-SRP-D-17-0083	-	32,086	-	14,364
Infrastructure Grant - Consolidation Study w/ Candor		E-MRF-W-18-0016	-	4,363	-	-
Infrastructure Grant - Consolidation Study w/ Mt Gilead		E-MRF-W-18-0017	-	750	-	-
Infrastructure Grant - Raw Water Pump Station		-	-	15,000	-	-
Funds for Soil and Water Conservation District		-	-	21,145	-	60,987
Scrap Tire Disposal		-	-	39,740	-	155,239
Solid Waste Disposal Tax Share		-	-	18,587	-	72,607
<u>Total N.C. Department of Environmental Quality</u>			<u>-</u>	<u>284,617</u>	<u>-</u>	<u>355,663</u>

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County of Montgomery, North Carolina
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III: SECTION ON COMPLIANCE WITH FEDERAL AND STATE AWARDS
E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	Passed- through to Subrecipients	County Expenditures
State Awards: (continued from previous page)						
<u>N.C. Department of Health and Human Services</u>						
<u>Division of Public Health:</u>						
Food and Lodging Fees		1153-4752-SZ62	-	4,576	-	-
General Aid to Counties		1161-4110-0062	-	81,592	-	-
Communicable Disease Control		1175-4510-0062	-	11,139	-	-
Maternal Care		13A1-5107-0062	-	13,267	-	-
Women's Health Service Fund		13A1-6015-FR62	-	6,251	-	-
HIV/STD SSBG Aid		1311-4536-RQ62	-	500	-	-
Sexually Transmitted Diseases		1311-4601-BN62	-	216	-	-
School Nurse Funding Initiative		1332-5358-0062	-	100,000	-	-
<u>Division of Social Services:</u>						
Blind Aid		-	-	-	-	-
<u>Office of Rural Health</u>						
Community Health-Primary Care Access Program		-	-	15,000	-	-
Total N. C. Department of Health and Human Services			-	232,541	-	-
<u>N.C. Department of Insurance</u>						
Rescue Grant		-	-	14,822	-	30,630
<u>N.C. Department of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		-	-	250,000	-	917,400
<u>N.C. Department of Public Safety</u>						
Juvenile Crime Prevention Council		-	-	99,288	(99,288)	-
<u>N.C. Department of Transportation</u>						
<u>Rural Operating Assistance Program Cluster:</u>						
Elderly and Disabled Transportation Assistance Program		-	-	57,675	(57,675)	5,000
Rural General Public Program		-	-	62,117	(62,117)	5,000
Employment Transportation Assistance Program		-	-	8,183	(8,183)	5,000
Total Rural Operating Assistance Program Cluster:			-	127,975	(127,975)	15,000
State Aid to Airports		-	-	721,085	-	-
Transportation Improvement Program		-	-	46,800	-	-
Total N.C. Department of Transportation			-	895,860	(127,975)	15,000
<u>N.C. Office of State Controller</u>						
Controlled Substances Tax		-	-	1,890	-	-
<u>N.C. State Board of Elections</u>						
Voter Photo I.D. Equipment		-	-	1,795	-	-
Total State Awards			-	2,008,946	(277,263)	1,437,599
Total Federal and State Awards			\$ 3,055,580	\$ 2,610,734	\$ (622,768)	\$ 3,788,344

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, 2019

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, 2019. 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, the 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 CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Home & Community Care Block Grant					
Montgomery County Council on Aging		-	\$ 145,756	\$ 110,233	\$ 106,225
Town of Troy (for Troy-Montgomery Senior Center)		-	8,354	16,947	48,700
Total Home & Community Care Block Grant			<u>\$ 154,110</u>	<u>\$ 127,180</u>	<u>\$ 154,925</u>
Juvenile Crime Prevention Council					
Montgomery County Schools		-	\$ -	\$ 99,288	\$ -
Rural Operating Assistance Program					
Randolph County Area Transit System		-	\$ -	\$ 127,975	\$ 15,000

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<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	-	\$ 14,625	\$ 10,354	\$ 10,365
III-B Grants for Supportive Services	93.044	-	35,333	71,673	82,604
Congregate Nutrition	93.045	-	30,203	1,778	13,271
Home Delivered Nutrition	93.045	-	59,800	43,375	42,814
NSIP Supplement	93.053	-	14,149	-	5,871
Total pass-thru grants awards from PTRC			<u>\$ 154,110</u>	<u>\$ 127,180</u>	<u>\$ 154,925</u>