

REVIEWED

By SLGFD at 10:02 am, Feb 04, 2022

**MONTGOMERY COUNTY, NORTH CAROLINA
ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2021



**Prepared By:
Finance Director**

**Submitted By:
County Manager**

MONTGOMERY COUNTY, NORTH CAROLINA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTORY SECTION

Budget Message

May 18, 2021

Dear Commissioners:

I am pleased to submit to you the annual budget for the operation of services for Montgomery County in fiscal year 2021-2022. The County, state and nation appear to be on the backside of the most impactful pandemic in more than a century. Although the worst we believe is behind us, some lasting impacts will likely be felt in the coming year. Supply chains have seen disruptions, prices on goods and services have skyrocketed in some sectors and the job market is a tremendous challenge for employers.

Despite these challenges, there are signs of promise. The general economy appears to be surging and locally we are experiencing an uptick in development interest, particularly residential. Revenues supported by increased economic activity, such as the sales tax, are helping local governments with the fiscal recovery. Eagerness to return to a sense of normalcy in the coming year gives us reason to be optimistic, even if it's a new normal.

Speaking of new, for many of us, this is our first time around as legislators and administrators during the budgeting process for Montgomery County. My approach to this budget is seen as both a learning experience as well as a financial plan for the next year. Therefore, most initiatives will remain unchanged as they have served the County well in recent years, although a few tweaks are anticipated here and there.

Inasmuch, I'm confident that the FY 2021-2022 Budget, as proposed, continues to provide the high level of services that our citizens are accustomed to receiving and balances the current and future service demands placed on the County.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Frankie Maness', is positioned above the printed name.

Frankie Maness
County Manager

County of Montgomery, North Carolina
Annual Financial Report
For the Year Ended June 30, 2021
INTRODUCTORY SECTION
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 + (DANA DAWSON)
 Commission Vice-Chair (D1)
 Term Expires Dec. 2020

HARVEY MACK + (KAY ROBINSON)
 Commissioner (D3)
 Term Expires Dec. 2020

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

GRANT HINSON + (MARY HASSELL)
 Commissioner (D2)
 Term Expires Dec. 2020

COUNTY OFFICIALS

MATTHEW WOODARD + (FRANKIE MANESS)
 County Manager

MISTY COFFIN
 Clerk to the Board / Assistant to the Manager

RUSS HOLLERS III
 County Attorney

LEON EVERETT
 Animal Control Director

BRIAN NORRIS + (Robert Peele)
 Building Inspections Chief

BRIAN HELMS
 Information Technology Director

LARRY LEAKE
 Custodial Services (Housekeeping) Director

CHRIS HILDRETH + (Vacancy)
 Economic Development Director

ROBBIE SMITH
 Emergency Services Director

C. D. CREPPS + (Amber Daniels)
 Finance Director

RENEE JONES
 Human Resources Director

DAVID ATKINS
 Library Director *

ANDREW GAHAGAN + (Vacancy)
 Planning & Zoning Director *

ERIC JOHNSTON
 Public Utilities Director

ELECTED DEPARTMENTS

MELISSA PIPKIN
 Register of Deeds (Term Expires Dec. 2024)

CHRIS WATKINS
 Sheriff (Term Expires Dec. 2022)

COORDINATIVE DEPARTMENTS

CHRISSY HAYNES
 Cooperative Extension Director

RHONDA JOHNSON
 Elections Director *

MARY PEREZ-BALDWIN
 Health Director

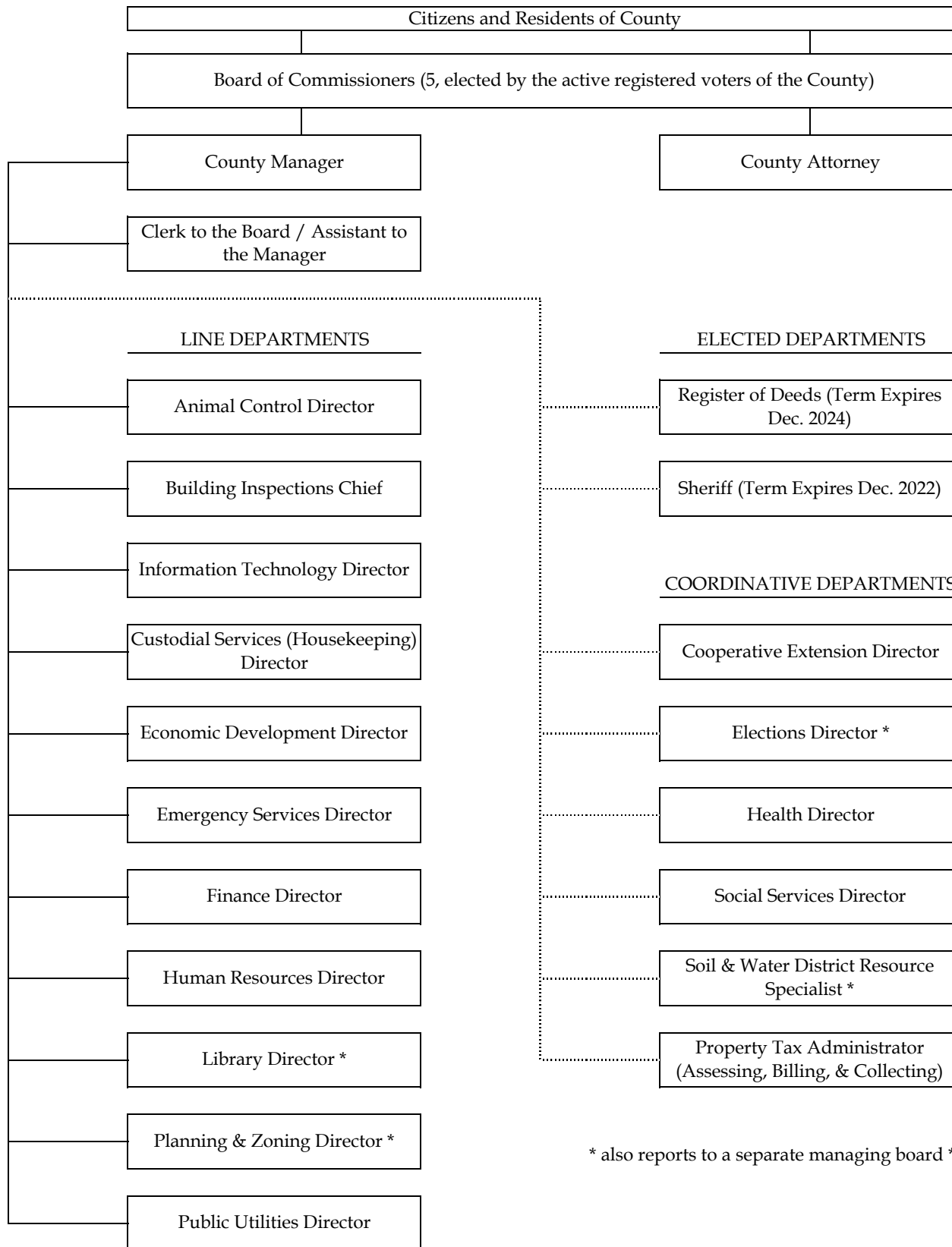
STEPHANIE SMITH
 Social Services Director

JOSEPH HUNTLEY
 Soil & Water District Resource Specialist *

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

+ left employment after June 30, 2020; new person in parentheses +
 * also reports to a separate managing board *

County of Montgomery, North Carolina
Annual Financial Report
For the Year Ended June 30, 2021
INTRODUCTORY SECTION
Organizational Chart



County of Montgomery, North Carolina
Annual Financial Report
For the Year Ended June 30, 2021
INTRODUCTORY SECTION
Introduction from the County Finance Director

January 07, 2022

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 June 2021, the County entered a new contract with Mauldin & Jenkins, LLC to conduct the audit for the fiscal year ended June 30, 2021 with the above stipulations. The auditor was permitted access to all requested information and has concluded all work necessary to render the opinion on the financial statements. More information about the audit can be found in the separately issued compliance report that covers the County's single audit and major programs.



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 2021), the year previous to the year being audited (FY 2020) and the year prior to that (FY2019). For comparability, the amounts presented are the amounts included in the original adopted budget ordinance each year. Budget amendments are not included.

| DESCRIPTION | FY2021 BUDGET ORDINANCE | FY2020 BUDGET ORDINANCE | FY2019 BUDGET ORDINANCE |
|-------------------------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| GENERAL FUND CLASSIFICATION | | | |
| Primary Government Services | \$ 33,420,638 | \$ 31,878,256 | \$ 31,184,471 |
| Vehicle Purchases | 195,000 | 115,000 | 117,000 |
| Property Tax Revaluation | 100,000 | 520,000 | 555,000 |
| Federal Forfeitures and State Substance Tax | 6,000 | 6,000 | 56,000 |
| Fire Protection | 1,050,850 | 1,450,850 | 1,010,850 |
| Court Facilities | 42,000 | 50,000 | 205,000 |
| Recreation Support | 95,711 | 143,377 | 169,000 |
| Haltiwanger Retreat | - | 12,000 | 12,000 |
| SUBTOTAL, INCLUDING TRANSFERS | 34,909,349 | 34,174,633 | 33,309,321 |
| SPECIAL REVENUE FUND CLASSIFICATION | | | |
| Emergency 911 Telephone System | 218,901 | 215,723 | 275,918 |
| Emergency Management Performance Grant | 40,000 | 40,000 | 40,000 |
| Community Development | - | 8,981 | 8,981 |
| Badin Lake Fire District | 428,000 | 428,000 | 428,000 |
| Wadeville Fire District | 21,000 | 20,000 | - |
| Lake Tillery Fire District | 232,000 | 212,000 | 209,000 |
| Child Support Incentives | 68,400 | 68,400 | 302,000 |
| SUBTOTAL, INCLUDING TRANSFERS | 1,008,301 | 993,104 | 1,263,899 |
| CAPITAL PROJECT FUND CLASSIFICATION | | | |
| Schools Projects | 1,462,050 | 778,086 | 740,612 |
| Educational Facilities (new high school construction) | 156,284,266 | 85,675,000 | 74,896,700 |
| Airport Projects | 682,435 | 966,667 | 666,667 |
| County Projects | 4,422,405 | 2,827,405 | 2,094,735 |
| SUBTOTAL, INCLUDING TRANSFERS | 162,851,156 | 90,247,158 | 78,398,714 |
| ENTERPRISE FUND CLASSIFICATION | | | |
| Water and Sewer Operations | 4,039,589 | 4,020,500 | 4,020,500 |
| Water and Sewer Projects | 6,550,250 | 6,900,250 | 5,025,000 |
| SUBTOTAL, INCLUDING TRANSFERS | 10,589,839 | 10,920,750 | 9,045,500 |
| TOTAL, INCLUDING TRANSFERS | \$ 209,358,645 | \$ 136,335,645 | \$ 122,017,434 |

County government is governed by a five-member Board of County Commissioners and managed daily by a full-time County Manager. Together, they give life to the budget and develop strategies to achieve its objectives.

Montgomery County is centrally located in North Carolina and the rural home to approximately 25,751 residents. Situated one hour drive east of Charlotte's outskirts and one hour south of the Greensboro-Triad region, Montgomery County is also home to the Uwharrie National Forest and three lakes formed by the Yadkin-Pee Dee River. In addition to being an outdoor enthusiast's delight, Montgomery County has low property tax rates, a progressive educational system, and a feeling of community.

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Montgomery County, North Carolina
Troy, 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** (the "County"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County'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.

Auditor's 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 the 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 auditor's 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the 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 and the schedules related to the County's pension and other postemployment benefit (OPEB) plans on pages 73 through 81, respectively, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the combining and individual fund statements and schedules, as listed in the table of contents, and the 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* (Uniform Guidance), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (Continued)

The combining and individual fund statements and schedules and the schedule of expenditures of federal and state awards (collectively, "the supplementary information") 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, the supplementary information is 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 an 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 13, 2022, on our consideration of the County'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 that report is solely 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 the effectiveness of the County's 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 the County's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
January 13, 2022

County of Montgomery, North Carolina
Annual Financial Report
For the Fiscal Year Ended June 30, 2021
FINANCIAL SECTION
Management's Discussion and Analysis

Via this subsection entitled "Management's Discussion and Analysis," management of the County of Montgomery, North Carolina offers readers of this *Annual Financial Report for the Fiscal Year Ended June 30, 2021*, a narrative overview and analysis of the County's fiscal performance. This subsection follows the "Independent Auditor's Report" and serves as an introduction to the "Financial Section." 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 \$92,690,318 (a.k.a. total net position).
- On a government-wide basis, total net position increased by \$10,245,551 from last year's ending balance. 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 \$48,809,623, an increase of \$2,800,459 (or 6.08%) from the prior year.
- At the end of the fiscal year, the General Fund's total fund balance amounted to \$26,397,621, while fund balance available for appropriation (FBAA) was \$17,177,149. FBAA represents 65.07% of the fund's total fund balance and 57.34% of total expenditures plus outgoing transfers from the fund for the fiscal year.
- The County had an ending balance in capital assets of \$126,658,381, an increase of \$5,321,030.
- Total long-term liabilities decreased by \$552,849 (or .05%) to \$93,611,693.
- At the conclusion of the fiscal year, the County managed \$57,620,398 in cash investments. All investments are 100% collateralized.

DESCRIPTION AND ORGANIZATION OF FINANCIAL SECTION

This narrative, "Management's Discussion and Analysis," serves as an introduction to the Financial Section. This section, 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.

The subsection of "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. The subsection of "Required Supplementary Information" has these components:

1. Financial Schedules for OPEB and Pension-related matters,
2. Combining and Individual Fund Statements and Schedules,
3. Additional schedules regarding property taxes

The figure on the next page 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 either BFS (basic financial statements) or RSI (required supplementary information). After the figure, the report's subsections and parts are described in more detail.

Summary

Basic Financial Statements (BFS) and Required Supplementary Information (RSI)

RSI - Management's Discussion and Analysis (MD&A)

BFS - Government-Wide Financial Statements (GWFS)

BFS - Fund Financial Statements (FFS)

Governmental Fund Financial Statements

Budgetary Comparison Statements-Major Governmental Funds

Proprietary Fund Financial Statements- Enterprise Funds

Fiduciary Fund Financial Statements

BFS - Notes to Financial Statements (Notes)

RSI - Other Supplementary Schedules

Actuarial Supplementary Information

Budgetary Comparison Schedules

Other Supplementary Information

Figure 1. Level of Detail

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 GWFS and 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 and the Government-wide Statement of Activities, 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 reconciliation schedules related to the Balance Sheet of Governmental Funds and to the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds 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 for an individual, 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,
2. Budgetary Comparison Statements,
3. Proprietary Fund Financial Statements, and
4. Fiduciary Fund Financial Statements.

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 "Combining and Individual Fund Statements and Schedules.")

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 reconciliations that are 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, demonstrate 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 “Combining and Individual Fund Statements and Schedules.” 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 Combining and Individual Fund Statements and Schedules

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 property taxes are also displayed to help depict the County’s reliance on property taxes.

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, 2021, net position increased by \$10,245,552 to \$92,690,318. Planned fiscal year activity caused much of this increase as the County prepares for future projects, due primarily to conservatively budgeting revenues as well as limiting spending on many expenditure items while the County strategizes to save money for future capital projects and other important 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, 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 is being 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 includes a shared facility for students wanting 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 | | | total | 2021 | 2020 | 2019 |
|----------------------------------|--------------------------------------------|-----------|-----------|--------------------------|-----------|-----------|----------|---------|---------|------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | | | | |
| | (amounts depicted in thousands of dollars) | | | | | | | | | |
| Current and other assets | \$ 54,352 | \$ 54,344 | \$ 73,744 | \$ 9,345 | \$ 8,298 | \$ 7,675 | 63,697 | 62,642 | 81,419 | |
| Capital assets | 101,453 | 97,051 | 79,582 | 25,205 | 24,286 | 24,136 | 126,658 | 121,337 | 103,718 | |
| Total assets | 155,805 | 151,395 | 153,326 | 34,550 | 32,584 | 31,811 | 190,355 | 183,979 | 185,137 | |
| Total deferred outflows | 2,769 | 1,961 | 2,179 | 111 | 103 | 126 | 2,880 | 2,064 | 2,305 | |
| Current and other liabilities | 8,010 | 9,475 | 13,940 | (22,043) | 1,083 | 176 | (14,033) | 10,558 | 14,116 | |
| Long-term liabilities | 81,474 | 82,994 | 88,547 | 31,833 | 8,488 | 9,463 | 113,307 | 91,482 | 98,010 | |
| Total liabilities | 89,484 | 92,469 | 102,487 | 9,790 | 9,571 | 9,639 | 99,274 | 102,040 | 112,126 | |
| Total deferred inflows | 1,264 | 1,552 | 616 | 7 | 6 | 7 | 1,271 | 1,558 | 623 | |
| Net investment in capital assets | 25,309 | 22,570 | 38,229 | 16,211 | 15,239 | 14,870 | 41,520 | 37,809 | 53,099 | |
| Stabilization by State Statute | 3,933 | 2,823 | 3,430 | - | - | - | 3,933 | 2,823 | 3,430 | |
| Restricted for other reasons | 22,503 | 24,714 | 1,474 | - | - | - | 22,503 | 24,714 | 1,474 | |
| Unrestricted net position | 16,080 | 9,228 | 9,269 | 8,653 | 7,871 | 7,421 | 24,733 | 17,099 | 16,690 | |
| Total net position | \$ 67,825 | \$ 59,335 | \$ 52,402 | \$ 24,864 | \$ 23,110 | \$ 22,291 | 92,689 | 82,445 | 74,693 | |

Table 2. Condensed Statement of Activities

| Category | Governmental Activities | | | Business-type Activities | | | total | 2021 | 2020 | 2019 |
|-----------------------------------|--------------------------------------------|-----------|-----------|--------------------------|-----------|-----------|-----------|-----------|-----------|------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | | | | |
| | (amounts depicted in thousands of dollars) | | | | | | | | | |
| Revenues: | | | | | | | | | | |
| Program revenues | | | | | | | | | | |
| Charges for services | \$ 3,982 | \$ 3,985 | \$ 4,028 | \$ 4,489 | \$ 4,283 | \$ 4,229 | \$ 8,471 | \$ 8,268 | \$ 8,257 | |
| Program grants & contributions | 7,532 | 5,518 | 5,959 | 1,130 | 348 | 382 | 8,662 | 5,866 | 6,341 | |
| General revenues | | | | | | | | | | |
| Property taxes | 22,470 | 20,764 | 19,946 | - | - | - | 22,470 | 20,764 | 19,946 | |
| Other taxes | 6,997 | 6,268 | 6,276 | - | - | - | 6,997 | 6,268 | 6,276 | |
| Other | 204 | 948 | 1,955 | 2 | 74 | 100 | 206 | 1,022 | 2,055 | |
| Total revenues | 41,185 | 37,483 | 38,164 | 5,621 | 4,705 | 4,711 | 46,806 | 42,188 | 42,875 | |
| Program expenses: | | | | | | | | | | |
| General government | 3,644 | 3,462 | 4,013 | - | - | - | 3,644 | 3,462 | 4,013 | |
| Transportation | 301 | 431 | 266 | - | - | - | 301 | 431 | 266 | |
| Public safety | 9,812 | 9,059 | 7,771 | - | - | - | 9,812 | 9,059 | 7,771 | |
| Human services | 7,013 | 6,517 | 6,297 | - | - | - | 7,013 | 6,517 | 6,297 | |
| Environmental protection | 1,175 | 1,100 | 928 | 3,867 | 3,886 | 3,484 | 5,042 | 4,986 | 4,412 | |
| Education, intergovernmental | 7,332 | 7,944 | 7,126 | - | - | - | 7,332 | 7,944 | 7,126 | |
| Economic and phys. | 2,036 | 820 | 952 | - | - | - | 2,036 | 820 | 952 | |
| Cultural and recreational | 333 | 355 | 425 | - | - | - | 333 | 355 | 425 | |
| Interest on long-term liabilities | 1,453 | 1,487 | 3,788 | - | - | - | 1,453 | 1,487 | 3,788 | |
| Debt issuance costs | - | - | - | - | - | - | - | - | - | |
| Miscellaneous | - | - | - | - | - | - | - | - | - | |
| Total expenses | 33,099 | 31,175 | 31,566 | 3,867 | 3,886 | 3,484 | 36,966 | 35,061 | 35,050 | |
| Change in net assets | 8,085 | 6,308 | 6,598 | 1,753 | 819 | 1,227 | 9,838 | 7,127 | 7,825 | |
| Net position, beginning, July 1 | 59,335 | 52,402 | 45,804 | 23,110 | 22,291 | 21,064 | 82,445 | 74,693 | 66,868 | |
| Adjustments/Restatements | - | 625 | - | - | - | - | - | 625 | - | |
| Net position, beginning, restated | 59,335 | 53,027 | 45,804 | 23,110 | 22,291 | 21,064 | 82,445 | 75,318 | 66,868 | |
| Net position, ending, June 30 | \$ 67,420 | \$ 59,335 | \$ 52,402 | \$ 24,863 | \$ 23,110 | \$ 22,291 | \$ 92,283 | \$ 82,445 | \$ 74,693 | |

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 | | | Business-type | | | total | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Revenues: | | | | | | | | | |
| Program revenues | | | | | | | | | |
| Charges for services | 9.67% | 10.63% | 10.56% | 79.86% | 91.03% | 89.77% | 18.10% | 19.59% | 19.26% |
| Program grants & contributions | 18.29% | 14.72% | 15.61% | 20.10% | 7.40% | 8.11% | 18.51% | 13.90% | 14.79% |
| General revenues | | | | | | | | | |
| Property taxes | 54.56% | 55.40% | 52.26% | 0.00% | 0.00% | 0.00% | 48.01% | 49.22% | 46.52% |
| Other taxes | 16.99% | 16.72% | 16.45% | 0.00% | 0.00% | 0.00% | 14.95% | 14.86% | 14.64% |
| Other | 0.50% | 2.53% | 5.12% | 0.04% | 1.57% | 2.12% | 0.44% | 2.42% | 4.79% |
| Total revenues | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| Program expenses: | | | | | | | | | |
| General government | 11.01% | 11.11% | 12.71% | 0.00% | 0.00% | 0.00% | 9.86% | 9.87% | 11.45% |
| Transportation | 0.91% | 1.38% | 0.84% | 0.00% | 0.00% | 0.00% | 0.81% | 1.23% | 0.76% |
| Public safety | 29.64% | 29.06% | 24.62% | 0.00% | 0.00% | 0.00% | 26.54% | 25.84% | 22.17% |
| Human services | 21.19% | 20.90% | 19.95% | 0.00% | 0.00% | 0.00% | 18.97% | 18.59% | 17.97% |
| Environmental protection | 3.55% | 3.53% | 2.94% | 100.00% | 100.00% | 100.00% | 13.64% | 14.22% | 12.59% |
| Education, intergovernmental | 22.15% | 25.48% | 22.57% | 0.00% | 0.00% | 0.00% | 19.83% | 22.66% | 20.33% |
| Economic and phys. development | 6.15% | 2.63% | 3.02% | 0.00% | 0.00% | 0.00% | 5.51% | 2.34% | 2.72% |
| Cultural and recreational | 1.01% | 1.14% | 1.35% | 0.00% | 0.00% | 0.00% | 0.90% | 1.01% | 1.21% |
| Interest on long-term liabilities | 4.39% | 4.77% | 12.00% | 0.00% | 0.00% | 0.00% | 3.93% | 4.24% | 10.81% |
| Total expenses | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

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 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|-----------------------------------|-------|-------|-------|-------|--------|--------|-------|
| total margin ratio | 1.114 | 1.203 | 1.222 | 1.205 | 1.262 | 1.227 | 1.240 |
| percentage change in net position | 10.2 | 9.5% | 11.7% | 11.1% | 14.7% | 15.0% | 18.0% |
| debt service ratio | .101 | 0.146 | 0.140 | 0.102 | 0.104 | 0.104 | 0.117 |
| quick ratio | 9.631 | 6.131 | 2.579 | 3.989 | 10.335 | 11.969 | 9.300 |
| net position ratio | .249 | 0.168 | 0.149 | 0.156 | 0.729 | 0.619 | 0.903 |
| debt-to-assets ratio | .492 | 0.512 | 0.529 | 0.577 | 0.328 | 0.354 | 0.392 |
| capital assets condition ratio | .483 | 0.538 | 0.563 | 0.587 | 0.609 | 0.629 | 0.656 |

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

- total resource inflow = \$41,185,115, which is total general revenues and transfers (\$11,963,317), plus program revenues (\$8,470,147 + \$7,442,463 + \$1,220,418) of the County
- total resource outflow = \$36,965,399, which is total expenses of the County
- total margin ratio = \$41,185,115 / \$36,965,399 = 1.114

- 2) percentage (%) change in net position = (change in net position) divided by (beginning net position, restated)
- change in net position = \$8,422,975
 - beginning net position, restated = \$82,512,198
 - percentage (%) change in net position = $\$8,422,975 / \$82,512,198 = 10.2\%$
- 3) debt service ratio = (principal payments plus interest and fees payments) divided by (total resource outflow plus principal payments)
- principal payments = $\$1,837,431 + \$723,503 = \$2,560,934$
 - interest and fees payments = $\$1,229,296 + \$208,720 = \$1,438,016$
 - debt service ratio = $(\$2,560,934 + \$1,438,016) / (\$36,965,399 + \$2,560,934) = 0.101$
- 4) quick ratio = (cash and cash equivalents) divided by (current liabilities)
- cash and cash equivalents = \$54,533,235
 - current liabilities = $\$1,292,091 + \$545,860 + \$44,375 + \$3,200,932 + \$513,103 + \$65,852 = \$5,662,213$
 - quick ratio = $\$54,533,235 / \$5,662,213 = 9.631$
- 5) net position ratio = (unrestricted net position) divided by (total liabilities)
- unrestricted net position = \$24,733,325
 - total liabilities = \$99,273,906
 - net position ratio = $\$24,733,325 / \$99,273,906 = 0.249$
- 6) debt-to-assets ratio = (outstanding long-term liabilities) divided by (total assets)
- outstanding long-term liabilities = \$93,611,693
 - total assets = \$190,354,990
 - debt-to-assets ratio = $\$93,611,693 / \$190,354,990 = 0.492$
- 7) capital assets condition ratio = (1.000) less ((accumulated depreciation) divided by (capital assets being depreciated))
- accumulated depreciation = $\$22,657,092 + \$24,951,049 = \$47,608,141$ (from Note on Capital Assets)
 - capital assets being depreciated = $\$52,459,162 + \$46,209,691 = \$98,668,853$ (from Note on Capital Assets)
 - capital assets condition ratio = $1.000 - (\$47,608,141 / \$98,668,853) = 0.483$

Governmental Activities

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, meet reserve requirements for a large USDA loan, and other important needs. In the fiscal year ending June 30, 2022, one very significant capital project (construction of a new high school) will end.

Business-type Activities

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, 2022 and June 30, 2023, net position may decrease as spending increases for a few large projects. This decrease is expected to be offset to a degree, by the ARPA funds discussed later in the Budget Highlights section.

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 Report For the Fiscal Year Ended June 30, 2021*.

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 after the end of a fiscal year. Across all governmental funds, the County has a fund balance available for appropriation of about \$44.6 million, a sizable decrease due primarily to account balances related to our high school project.

More financial indicators are shown in Table 5 below, followed by details on the calculation 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.

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

| Indicator Name / Result | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------------------------|--------|---------|---------|--------|--------|--------|--------|
| operations ratio | .376 | 0.655 | 0.514 | 0.729 | 1.062 | 0.947 | 1.104 |
| % change in fund balance | 5.9% | (23.5%) | (33.7%) | 244.7% | 23.1% | 32.2% | (0.3)% |
| debt service ratio | 0.028 | 0.080 | 0.059 | 0.053 | 0.074 | 0.069 | 0.089 |
| quick ratio | 12.15 | 6.605 | 5.249 | 13.800 | 10.697 | 16.704 | 20.682 |
| available fund balance-to-expenditures | .403 | 0.747 | 0.755 | 1.824 | 0.702 | 0.510 | 0.392 |
| debt-to-assessed value ratio | 0.0214 | 0.0237 | 0.0247 | 0.0260 | 0.0052 | 0.0058 | 0.0065 |
| intergovernmental ratio | 0.190 | 0.155 | 0.149 | 0.143 | 0.185 | 0.190 | 0.227 |

1) operations ratio = ((total revenues) plus (transfers in) less (transfers into 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 = \$45,890,228, which is total revenues (\$41,567,579) plus transfers in (\$4,322,649) of the County's governmental funds
- transfers into capital project-type funds = \$4,202,879, which is total transfers into capital projects funds
- total expenditures plus transfers out = \$110,835,201, which is total expenditures (\$106,512,552) plus transfers out (\$4,322,649) of the County's governmental funds
- transfers out from capital projects-type funds = \$0, which is total transfers out from capital projects funds
- operations ratio = (\$45,890,228 - \$4,202,879) / (\$110,835,201 - \$0) = 0.376

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

- change in fund balance = \$2,733,027
- beginning fund balance = \$46,076,596
- percentage change in fund balance = \$2,733,027 / \$46,076,596 = 5.9%

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 = \$1,837,431
- interest payments = \$1,229,296
- debt service ratio = (\$1,837,431 + \$1,229,296) / (\$110,835,201 - \$0) = 0.028

4) quick ratio = (cash and investments) divided by (current liabilities--not including deferred revenues)

- cash and cash equivalents = \$54,533,235
- current liabilities--not including deferred revenues = \$4,487,919
- quick ratio = \$54,533,235 / \$4,487,919 = 12.15

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 = \$44,638,446
- available fund balance-to-expenditures ratio = \$44,638,446 / (\$110,835,201 - \$0) = 0.403

6) debt-to-assessed value ratio = (long-term debt) divided by (total assessed value used for property tax purposes)

- long-term debt = \$75,533,254
- total assessed value used for property tax purposes = \$3,525,027,317
- debt-to-assessed value ratio = \$75,533,254 / \$3,525,027,317 = 0.0214

7) intergovernmental ratio = (intergovernmental revenues, both restricted and unrestricted) divided by ((total revenues) plus (transfers in) less (transfers into capital projects-type funds))

- intergovernmental revenues = \$7,926,319
- intergovernmental ratio = \$7,926,319 / (\$45,890,228 - \$4,202,879) = 0.190

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.

| GENERAL FUND ONLY | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| available fund balance-to-expenditures | 40.3% | 53.6% | 47.0% | 39.9% | 50.5% | 30.1% | 40.5% |

The Board of County Commissioners has determined that the County should maintain a level of fund balance available for appropriation of between 25% to 30% 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, 2021, and expects to be a major fund for the next year, also.

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 \$8,653,180, was \$7,870,875 a year earlier, and total net position of the fund is \$24,864,900, was \$23,109,755 a year earlier.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

Capital assets. 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.
- Purchase and other additions of vehicles and other equipment.
- These huge increases are primarily driven by the construction of a new high school in Troy, NC.

Table 6. Recap of Capital Assets, net of Accumulated Depreciation

| Table of Receipt of Capital Assets, Net of Accumulated Depreciation | | | | | | | | | | |
|---------------------------------------------------------------------|--------------------------------------------|-----------|-----------|--------------------------|-----------|-----------|------------|---------|---------|------|
| Category | Governmental Activities | | | Business-type Activities | | | total | 2021 | 2020 | 2019 |
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | | | | |
| | (amounts depicted in thousands of dollars) | | | | | | | | | |
| Land and land improvements | \$ 5,002 | \$ 5,002 | \$ 4,989 | \$ 157 | \$ 146 | \$ 121 | 5,159 | 5,148 | 5,110 | |
| Construction in progress | 66,649 | 62,117 | 44,035 | 3,790 | 1,735 | 532 | 70,439 | 63,852 | 44,567 | |
| Buildings and improvements | 21,146 | 21,894 | 21,694 | 504 | 642 | 780 | 21,146,088 | 22,536 | 22,474 | |
| Infrastructure | 2,147 | 2,216 | 2,287 | 17,939 | 18,824 | 19,658 | 2,164,404 | 21,040 | 21,945 | |
| Equipment (including vehicles) | 6,510 | 5,822 | 6,577 | 2,816 | 2,939 | 3,045 | 6,512,837 | 8,761 | 9,622 | |
| Total capital assets, net | \$ 101,454 | \$ 97,051 | \$ 79,582 | \$ 25,206 | \$ 24,286 | \$ 24,136 | 29,898,927 | 121,337 | 103,718 | |

Find additional information on the County's capital assets in the Notes to Financial Statements.

Long-term Liabilities. As of June 30, 2021, the County had total long-term liabilities outstanding of \$75,533,254. During the year, the County met all normal debt service requirements (both principal and interest payments). Other changes include changes in unamortized bond premium, 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. After refinancing, the loan is due in full on May 6, 2022, about 38 months after the original loan closing. Once construction is complete, USDA financing will replace the original loan. Expected annual payments to USDA are about \$2,530,000. 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 a favorable position to withstand the annual debt service payments of this magnitude for the 40-year term of the loan.

BUDGETARY HIGHLIGHTS - FY 2021

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 in the audit report the General Fund and Public Utilities Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for a detailed review.

BUDGETARY HIGHLIGHTS - ADOPTED BUDGET RECAP

- The total of all operating budgets for FY 2021-2022 is \$40,452,600, a decrease of 2.75%.
 - The Primary Government Services Fund is estimated at \$34,419,800, a slight decrease of 1.48%
 - The Water and Sewer Operations Fund is estimated at \$4,090,000, an increase of 1.25%.
 - Other operating funds are decreased by \$628,800 or 9.44% in aggregate.
- The general tax rate for FY 2021-2022 remains unchanged at \$0.615 per \$100 of valuation and one penny equals \$343,000.
- No change to water and sewer rates was enacted.
- A total of 217 full-time positions are included where anticipated payroll and benefits are over \$12.8 million.
- To support station improvements, the Wadeville Fire District Fund saw a tax rate change from \$0.01 to \$0.025.
- Mandatory employer contribution rate increases for participation in the Local Government Employees' Retirement System (LERS) resulted in additional expenditures of approximately \$110,000.
- Expenditures for both Montgomery County Schools (\$5,598,000) and Montgomery Community College (\$816,000) are each met as requested in the proposed budget.

- Employee salaries and applicable pay ranges saw a 1.4% Cost of Living Adjustment (COLA) based on the Consumer Price Index (CPI-U). Appropriations to support additional employee pay adjustments based on a system of performance evaluation and to begin a pay and classification study are also included. These are initial efforts to establish a system of compensation that will help support the County to become an employer of choice.
- The County's largest taxpayer, Cube Yarkin, has appealed their tax valuation to the State Property Tax Commission. It is estimated that \$32 million in tax base to the County is in question and nearly \$8 million in the Badin Lake Fire Tax District. The FY 2022 budget assumes the tax valuation remains unchanged.

ECONOMIC HIGHLIGHTS AND OTHER IMPORTANT FACTS

- Census 2020 population estimates have the County's population at 25,751, a decrease of 2,047 residents or 7.4%. Population estimates are critical in the calculation of many revenues, most notably sales tax receipts.
- The American Rescue Plan Act of 2021 is providing \$350 billion in funds for states and local governments across the country where Montgomery County is estimated to receive a total \$5.2 million in 2 separate disbursements. The County has elected to use the entirety of the funds for improvements to our water system.
- The COVID-19 pandemic remains an ever-present threat to County operations and the general community. The Omicron variant is currently spreading very rapidly across the United States.
- Despite the pandemic, the economy is strong across many sectors, including the extractive industries in Montgomery County. The foremost challenge faced by local business and industry are shortages in the workforce.
- The County has renewed its efforts towards economic development in the current year.

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 one or more of 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

MONTGOMERY COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2021

| | Primary Government | | | Montgomery County Tourism Development Authority |
|----------------------------------------------------------|----------------------------|-----------------------------|---------------|----------------------------------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 47,141,840 | \$ 7,391,395 | \$ 54,533,235 | \$ 244,226 |
| Receivables, net of allowance for uncollectibles | 2,732,527 | 858,843 | 3,591,370 | 1,480 |
| Taxes receivable, net of allowance for uncollectibles | 1,115,878 | - | 1,115,878 | - |
| Due from other governments | 341,734 | 824,987 | 1,166,721 | - |
| Internal balances | (25,307) | 25,307 | - | - |
| Inventories | 70,559 | 227,621 | 298,180 | - |
| Prepaid items | 166,745 | 17,018 | 183,763 | - |
| Restricted cash and cash equivalents | 2,751,941 | - | 2,751,941 | - |
| Net pension asset | 55,521 | - | 55,521 | - |
| Capital assets: | | | | |
| Non-depreciable | 71,651,106 | 3,946,563 | 75,597,669 | - |
| Depreciable, net of accumulated depreciation | 29,802,070 | 21,258,642 | 51,060,712 | - |
| Total assets | 155,804,614 | 34,550,376 | 190,354,990 | 245,706 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Pension related items | 2,118,802 | 111,483 | 2,230,285 | - |
| OPEB related items | 650,457 | - | 650,457 | - |
| Total deferred outflows of resources | 2,769,259 | 111,483 | 2,880,742 | - |
| LIABILITIES | | | | |
| Accounts payable | 820,135 | 473,383 | 1,293,518 | 299 |
| Accrued payroll and withholdings | 514,793 | 31,067 | 545,860 | - |
| Due to other governments | - | 44,375 | 44,375 | - |
| Contractor retainage payable | 3,063,259 | 137,673 | 3,200,932 | - |
| Interest payable | 493,197 | 19,906 | 513,103 | - |
| Unearned revenue | 65,852 | - | 65,852 | - |
| Certificates of participation, due within one year | 1,619,220 | - | 1,619,220 | - |
| Certificates of participation, due in more than one year | 4,774,182 | - | 4,774,182 | - |
| Installment purchase loans, due within one year | 1,299,807 | 272,342 | 1,572,149 | - |
| Installment purchase loans, due in more than one year | 67,840,045 | 3,683,467 | 71,523,512 | - |
| State revolving loans, due within one year | - | 488,802 | 488,802 | - |
| State revolving loans, due in more than one year | - | 4,411,201 | 4,411,201 | - |
| Compensated absences, due within one year | 135,108 | 5,885 | 140,993 | - |
| Compensated absences, due in more than one year | 540,433 | 23,540 | 563,973 | - |
| Total pension liability, due in more than one year | 764,056 | - | 764,056 | - |
| Net pension liability, due in more than one year | 3,278,123 | 198,106 | 3,476,229 | - |
| Total OPEB liability, due in more than one year | 4,277,376 | - | 4,277,376 | - |
| Total liabilities | 89,485,586 | 9,789,747 | 99,275,333 | 299 |

(continued)

MONTGOMERY COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2021

| | Primary Government | | | Montgomery County Tourism Development Authority |
|--------------------------------------|----------------------------|-----------------------------|----------------------|----------------------------------------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred tax revenue | 78,792 | - | 78,792 | - |
| OPEB related items | 989,526 | - | 989,526 | - |
| Pension related items | 195,978 | 7,212 | 203,190 | - |
| Total deferred inflows of resources | 1,264,296 | 7,212 | 1,271,508 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 25,309,987 | 16,211,720 | 41,521,707 | - |
| Restricted for: | | | | |
| Stabilization by State Statute | 3,015,618 | - | 3,015,618 | 1,480 |
| Schools capital outlay | 16,167,158 | - | 16,167,158 | - |
| Public safety | 529,022 | - | 529,022 | - |
| Environmental protection | 18,632 | - | 18,632 | - |
| Economic and physical development | 208,330 | - | 208,330 | - |
| Human services | 319,974 | - | 319,974 | - |
| County capital projects | 5,258,297 | - | 5,258,297 | - |
| Unrestricted | 16,996,973 | 8,653,180 | 25,650,153 | 243,927 |
| Total net position | <u>\$ 67,823,991</u> | <u>\$ 24,864,900</u> | <u>\$ 92,688,891</u> | <u>\$ 245,407</u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

| Functions/Programs | Expenses | Program Revenues | | |
|-----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 3,644,294 | \$ 396,417 | \$ 39,310 | \$ - |
| Public safety | 9,811,667 | 566,642 | 1,521,871 | - |
| Transportation | 300,511 | 19,080 | - | 89,921 |
| Human services | 7,012,698 | 479,709 | 4,403,071 | - |
| Education | 7,527,309 | - | 605,515 | - |
| Environmental protection | 1,175,385 | 2,177,694 | - | - |
| Economic and physical development | 2,037,018 | 341,597 | 1,002,132 | - |
| Culture and recreational | 333,556 | - | - | - |
| Interest on long-term debt | 1,453,395 | - | 66,327 | - |
| Total governmental activities | <u>33,295,833</u> | <u>3,981,139</u> | <u>7,638,226</u> | <u>89,921</u> |
| Business-type activities: | | | | |
| Public utilities | 3,866,756 | 4,489,008 | - | 1,130,497 |
| Total business-type activities | <u>3,866,756</u> | <u>4,489,008</u> | <u>-</u> | <u>1,130,497</u> |
| Total primary government | <u>\$ 37,162,589</u> | <u>\$ 8,470,147</u> | <u>\$ 7,638,226</u> | <u>\$ 1,220,418</u> |
| Component Unit: | | | | |
| Montgomery County | | | | |
| Tourism Development Authority | <u>\$ 41,250</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenues:

Ad valorem taxes

Sales and use taxes

Other taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position, beginning of year, restated

Net position, end of year

(continued)

| Changes in Net Position | | | |
|-------------------------|--------------------------|----------------|-------------------------------------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-type Activities | Total | Montgomery County Tourism Development Authority |
| \$ (3,208,567) | \$ - | \$ (3,208,567) | \$ - |
| (7,723,154) | - | (7,723,154) | - |
| (191,510) | - | (191,510) | - |
| (2,129,918) | - | (2,129,918) | - |
| (6,921,794) | - | (6,921,794) | - |
| 1,002,309 | - | 1,002,309 | - |
| (693,289) | - | (693,289) | - |
| (333,556) | - | (333,556) | - |
| (1,387,068) | - | (1,387,068) | - |
| (21,586,547) | - | (21,586,547) | - |
| - | 1,752,749 | 1,752,749 | - |
| - | 1,752,749 | 1,752,749 | - |
| (21,586,547) | 1,752,749 | (19,833,798) | - |
| - | - | - | (41,250) |
| 22,470,055 | - | 22,470,055 | - |
| 6,831,074 | - | 6,831,074 | - |
| 502,597 | - | 502,597 | 113,148 |
| 15,993 | 2,396 | 18,389 | - |
| 188,376 | - | 188,376 | - |
| 30,008,095 | 2,396 | 30,010,491 | 113,148 |
| 8,421,548 | 1,755,145 | 10,176,693 | 71,898 |
| 59,402,443 | 23,109,755 | 82,512,198 | 173,509 |
| \$ 67,823,991 | \$ 24,864,900 | \$ 92,688,891 | \$ 245,407 |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2021

| | General Fund | Educational Facilities Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------------------------------------------------|----------------------|-----------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 24,018,528 | \$ 15,775,065 | \$ 7,348,247 | \$ 47,141,840 |
| Taxes receivable, net | 1,090,548 | - | 25,330 | 1,115,878 |
| Accounts receivable | 2,732,527 | - | - | 2,732,527 |
| Due from other governments | 90,219 | 206,379 | 45,136 | 341,734 |
| Prepaid items | 150,758 | 12,793 | 3,194 | 166,745 |
| Inventories | 70,559 | - | - | 70,559 |
| Restricted cash and cash equivalents | 298,617 | 2,453,324 | - | 2,751,941 |
| Total assets | <u>\$ 28,451,756</u> | <u>\$ 18,447,561</u> | <u>\$ 7,421,907</u> | <u>\$ 54,321,224</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 510,293 | 127,653 | \$ 182,189 | \$ 820,135 |
| Accrued payroll and withholdings | 514,793 | - | - | 514,793 |
| Due to other funds | 25,307 | - | - | 25,307 |
| Contractor retainage payable | - | 3,063,259 | - | 3,063,259 |
| Unearned revenues | 4,061 | - | 61,791 | 65,852 |
| Total liabilities | <u>1,054,454</u> | <u>3,190,912</u> | <u>243,980</u> | <u>4,489,346</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - ad valorem taxes | 922,316 | - | 22,574 | 944,890 |
| Deferred revenue - prepaid taxes | 78,792 | - | - | 78,792 |
| Total deferred inflows of resources | <u>1,001,108</u> | <u>-</u> | <u>22,574</u> | <u>1,023,682</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Prepaid items | 150,758 | 12,793 | 3,194 | 166,745 |
| Inventories | 70,559 | - | - | 70,559 |
| Restricted: | | | | |
| Stabilization by State Statute | 2,995,039 | - | 20,579 | 3,015,618 |
| Schools capital outlay | - | 15,243,856 | 923,302 | 16,167,158 |
| Public safety | 103,403 | - | 403,045 | 506,448 |
| Environmental protection | - | - | 18,632 | 18,632 |
| Economic and physical development | - | - | 208,330 | 208,330 |
| Human services | - | - | 319,974 | 319,974 |
| County capital projects | - | - | 5,258,297 | 5,258,297 |
| Committed: | | | | |
| Economic and physical development | 1,475,000 | - | - | 1,475,000 |
| Culture and recreation | 38,531 | - | - | 38,531 |
| Assigned: | | | | |
| Use in subsequent fiscal year | 2,843,325 | - | - | 2,843,325 |
| Human services | 625,602 | - | - | 625,602 |
| Unassigned | 18,093,977 | - | - | 18,093,977 |
| Total fund balances | <u>26,396,194</u> | <u>15,256,649</u> | <u>7,155,353</u> | <u>48,808,196</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 28,451,756</u> | <u>\$ 18,447,561</u> | <u>\$ 7,421,907</u> | <u>\$ 54,321,224</u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Fund balances - total governmental funds | \$ 48,808,196 |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | 101,453,176 |
| Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. | 944,890 |
| The net pension asset (RODSPF), net pension liability (LGERS), total pension liability (LEOSSA), and the related deferred outflows and inflows of resources related to the County's defined benefit pension plans are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds. | (2,063,834) |
| The total OPEB liability and related deferred outflows and inflows of resources related to the County's OPEB plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds. | (4,616,445) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(76,701,992)</u> |
| Net position - governmental activities | <u><u>\$ 67,823,991</u></u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

| | General Fund | Educational Facilities Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------|----------------------|-----------------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Ad valorem property taxes | \$ 21,829,670 | \$ - | \$ 686,346 | \$ 22,516,016 |
| Local option sales taxes | 6,831,074 | - | - | 6,831,074 |
| Other taxes | 232,408 | - | - | 232,408 |
| Unrestricted intergovernmental revenues | 358,803 | - | - | 358,803 |
| Restricted intergovernmental revenues | 5,868,421 | - | 1,894,858 | 7,763,279 |
| Licenses, fees, and permits | 2,978,990 | - | 10,020 | 2,989,010 |
| Sales and services | 645,282 | - | - | 645,282 |
| Investment earnings | 14,436 | 1,479 | 78 | 15,993 |
| Miscellaneous | 411,477 | - | - | 411,477 |
| Total revenues | <u>39,170,561</u> | <u>1,479</u> | <u>2,591,302</u> | <u>41,763,342</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 3,877,200 | - | - | 3,877,200 |
| Public safety | 7,643,125 | - | 2,435,030 | 10,078,155 |
| Transportation | 69,608 | - | 123,865 | 193,473 |
| Human services | 6,614,709 | - | 209,845 | 6,824,554 |
| Education | 6,383,286 | - | 1,104,981 | 7,488,267 |
| Environmental protection | 1,153,991 | - | 6,979 | 1,160,970 |
| Economic and physical development | 1,790,143 | - | - | 1,790,143 |
| Culture and recreational | 312,666 | - | - | 312,666 |
| Capital outlay | - | 4,239,587 | - | 4,239,587 |
| Debt service: | | | | |
| Principal retirements | 1,840,431 | 67,675,000 | - | 69,515,431 |
| Interest and fiscal charges | 271,703 | 957,593 | - | 1,229,296 |
| Total expenditures | <u>29,956,862</u> | <u>72,872,180</u> | <u>3,880,700</u> | <u>106,709,742</u> |
| Excess (deficiency) of revenues over (under) expenditures | 9,213,699 | (72,870,701) | (1,289,398) | (64,946,400) |
| Other financing sources (uses) | | | | |
| Transfers in | 59,885 | 1,406,554 | 2,856,210 | 4,322,649 |
| Transfers out | (4,262,764) | - | (59,885) | (4,322,649) |
| Issuance of long term debt | - | 67,678,000 | - | 67,678,000 |
| Total other financing sources (uses) | <u>(4,202,879)</u> | <u>69,084,554</u> | <u>2,796,325</u> | <u>67,678,000</u> |
| Net change in fund balances | 5,010,820 | (3,786,147) | 1,506,927 | 2,731,600 |
| Fund balances, beginning of year, restated | <u>21,385,374</u> | <u>19,042,796</u> | <u>5,648,426</u> | <u>46,076,596</u> |
| Fund balances, end of year | <u>\$ 26,396,194</u> | <u>\$ 15,256,649</u> | <u>\$ 7,155,353</u> | <u>\$ 48,808,196</u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Net change in fund balances - total governmental funds | \$ 2,731,600 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | 4,402,318 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (45,961) |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount represents the net difference in the accounting for these transactions. | 1,837,431 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | <u>(503,840)</u> |
| Change in net position - governmental activities | <u>\$ 8,421,548</u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL (NON-GAAP)
FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | | Variance with |
|--------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| Revenues | | | | |
| Ad valorem property taxes | \$ - | \$ 21,405,449 | \$ 21,829,670 | \$ 424,221 |
| Local option sales taxes | - | 4,075,000 | 6,831,074 | 2,756,074 |
| Other taxes | - | - | 232,408 | 232,408 |
| Unrestricted intergovernmental revenues | - | 232,000 | 358,803 | 126,803 |
| Restricted intergovernmental revenues | - | 6,299,482 | 5,868,421 | (431,061) |
| Licenses, fees, and permits | - | 2,584,211 | 2,978,990 | 394,779 |
| Sales and services | - | 632,677 | 645,282 | 12,605 |
| Investment earnings | - | 300,000 | 14,436 | (285,564) |
| Miscellaneous | - | 358,800 | 411,477 | 52,677 |
| Total revenues | - | 35,887,619 | 39,170,561 | 3,282,942 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,557,702 | 4,954,183 | 3,877,200 | 1,076,983 |
| Public safety | 2,483,306 | 8,180,440 | 7,643,125 | 537,315 |
| Transportation | 60,062 | 245,448 | 69,608 | 175,840 |
| Human services | 1,685,270 | 7,781,293 | 6,614,709 | 1,166,584 |
| Education | 1,519,500 | 6,392,400 | 6,383,286 | 9,114 |
| Environmental protection | 266,788 | 1,179,186 | 1,153,991 | 25,195 |
| Economic and physical development | 162,360 | 1,896,846 | 1,790,143 | 106,703 |
| Culture and recreational | 106,230 | 394,206 | 312,666 | 81,540 |
| Debt service: | | | | |
| Principal retirements | 208,836 | 1,840,569 | 1,840,431 | 138 |
| Interest and fiscal charges | 170,946 | 272,056 | 271,703 | 353 |
| Total expenditures | 8,221,000 | 33,136,627 | 29,956,862 | 3,179,765 |
| Excess (deficiency) of revenues over (under) expenditures | (8,221,000) | 2,750,992 | 9,213,699 | 6,462,707 |
| Other financing sources (uses): | | | | |
| Transfers in | - | 42,000 | 59,885 | 17,885 |
| Transfers out | (98,000) | (4,446,214) | (4,262,764) | 183,450 |
| Fund balance appropriated | 8,319,000 | 2,608,183 | - | (2,608,183) |
| Fund balance contingency | - | (954,961) | - | 954,961 |
| Total other financing sources (uses) | 8,221,000 | (2,750,992) | (4,202,879) | (1,451,887) |
| Net change in fund balances | - | - | 5,010,820 | 5,010,820 |
| Fund balances, beginning of year, restated | 21,385,374 | 21,385,374 | 21,385,374 | - |
| Fund balances, end of year | \$ 21,385,374 | \$ 21,385,374 | \$ 26,396,194 | \$ 5,010,820 |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2021

| ASSETS | Public Utilities Fund |
|----------------------------------------------------------|--------------------------|
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 7,391,395 |
| Accounts receivable, net of allowances | 858,843 |
| Due from other governments | 824,987 |
| Due from other funds | 25,307 |
| Prepaid items | 17,018 |
| Inventories | 227,621 |
| Total current assets | <u>9,345,171</u> |
| CAPITAL ASSETS | |
| Nondepreciable | 3,946,563 |
| Depreciable, net of accumulated depreciation | <u>21,258,642</u> |
| Total noncurrent assets | <u>25,205,205</u> |
| Total assets | <u>34,550,376</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension related items | <u>111,483</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | 473,383 |
| Accrued payroll and withholdings | 31,067 |
| Due to other governments | 44,375 |
| Contractor retainage payable | 137,673 |
| Accrued interest payable | 19,906 |
| Installment purchase loans, current | 272,342 |
| State revolving loans payable, current | 488,802 |
| Compensated absences payable, current | 5,885 |
| Total current liabilities | <u>1,473,433</u> |
| NONCURRENT LIABILITIES | |
| Installment purchase loans, due in more than one year | 3,683,467 |
| State revolving loans payable, due in more than one year | 4,411,201 |
| Compensated absences payable, due in more than one year | 23,540 |
| Net pension liability, due in more than one year | 198,106 |
| Total noncurrent liabilities | <u>8,316,314</u> |
| Total liabilities | <u>9,789,747</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension related items | <u>7,212</u> |
| NET POSITION | |
| Net investment in capital assets | 16,211,720 |
| Unrestricted | 8,653,180 |
| Total net position | <u>\$ 24,864,900</u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2021

| | Public Utilities Fund |
|------------------------------------------|----------------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 4,416,298 |
| Other operating revenues | 70,500 |
| Miscellaneous fees | 2,210 |
| | <hr/> |
| Total operating revenues | 4,489,008 |
| | <hr/> |
| OPERATING EXPENSES | |
| Salaries and employee benefits | 649,499 |
| Contractual and professional services | 433,075 |
| Supplies and materials | 976,183 |
| Repairs and maintenance | 299,691 |
| Sewer processing and landfill charges | 89,522 |
| Depreciation | 1,173,048 |
| | <hr/> |
| Total operating expenses | 3,621,018 |
| | <hr/> |
| Operating income | 867,990 |
| | <hr/> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Investment earnings | 2,396 |
| Interest expense and fiscal charges | (245,738) |
| | <hr/> |
| Total non-operating revenue (expenses) | (243,342) |
| | <hr/> |
| Income before capital contributions | 624,648 |
| | <hr/> |
| Capital contributions | 1,130,497 |
| | <hr/> |
| Change in net position | 1,755,145 |
| | <hr/> |
| Net position, beginning of year | 23,109,755 |
| | <hr/> |
| Net position, end of year | \$ 24,864,900 |
| | <hr/> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2021

| | Public Utilities Fund |
|------------------------------------------------------------------------------------------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 4,461,354 |
| Payments to suppliers | (2,017,883) |
| Payments to employees | (636,045) |
| Net cash provided by operating activities | <u>1,807,426</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases and acquisitions of capital assets | (1,600,899) |
| Capital grant receipts | 860,030 |
| Proceeds from issuance of debt | 573,003 |
| Principal payments on long-term borrowings | (723,503) |
| Interest paid on long-term borrowings | (247,707) |
| Net cash used in capital and related financing activities | <u>(1,139,076)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>2,396</u> |
| Net cash provided by investing activities | <u>2,396</u> |
| Net increase in cash and cash equivalents | 670,746 |
| Cash and cash equivalents, beginning of year | <u>6,720,649</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 7,391,395</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 867,990 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 1,173,048 |
| Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources: | |
| Increase in accounts receivable | (84,749) |
| Increase in inventory | (22,080) |
| Increase in prepaid items | (84) |
| Decrease in accounts payable | (139,120) |
| Increase in accrued payroll | 4,463 |
| Decrease in due to other governments | (1,033) |
| Decrease in compensated absences payable | (504) |
| Increase in pension related items | 9,495 |
| Net cash provided by operating activities | <u><u>\$ 1,807,426</u></u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

| ASSETS | Custodial Funds |
|--------------------------------|----------------------------|
| Cash and cash equivalents | \$ 90,996 |
| Taxes receivable | <u>351,746</u> |
| Total assets | <u><u>\$ 442,742</u></u> |
| LIABILITIES | |
| Due to others | \$ 49,241 |
| Uncollected taxes | <u>351,746</u> |
| Total liabilities | <u>400,987</u> |
| NET POSITION | |
| Restricted for inmate accounts | <u>41,755</u> |
| Total net position | <u><u>\$ 41,755</u></u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

| | Custodial Funds |
|--------------------------------------------------|----------------------------|
| ADDITIONS | |
| Tax collections | \$ 2,389,357 |
| Inmate trust deposits | 30,205 |
| Total additions | <u>2,419,562</u> |
| DEDUCTIONS | |
| Remittances to towns | 2,389,357 |
| Remittances to inmate trusts | 9,318 |
| Total deductions | <u>2,398,675</u> |
| Change in net position | 20,887 |
| NET POSITION, beginning of year, restated | <u>20,868</u> |
| NET POSITION, end of year | <u><u>\$ 41,755</u></u> |

The accompanying notes are an integral part of these financial statements.

MONTGOMERY COUNTY, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montgomery County, North Carolina (the “County”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County’s significant accounting policies are described below.

A. Reporting Entity

Montgomery County, North Carolina was founded in 1779 and is located in the southern Piedmont region of North Carolina. The County has a commissioner/manager form of government with a five-member elected Board of Commissioners comprising the governing body. The County provides the following services to its citizens: public health, public safety, mental health, social service programs, planning and zoning, cultural and recreational programs, housing and community development service programs, and public utilities services. In addition, inspections, environmental resources, land records, and vital statistics information are provided. Elementary and secondary education is provided by the State through locally elected educational boards with the assistance of the County.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County’s reporting entity because of the significance of their operational and financial relationship with the County. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

The Montgomery County Tourism Development Authority (the “TDA”) was required by State Statute to collect the County’s occupancy taxes on overnight lodging facilities and to expend the funds on tourism promotion. The County appoints all five (5) board members that oversee the TDA. Effective July 1, 2020, the TDA began operations again after the repealed occupancy tax was reinstated by the County. The TDA does not issue a separate, stand-alone financial report.

Blended Component Unit

The Montgomery County Industrial Facility and Pollution Control Financing Authority (the “Authority”) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven (7) member board of commissioners that is appointed by the County and the County has the ability to remove any commissioner of the Authority with or without cause. For the fiscal year ended June 30, 2021, the Authority did not have any financial transactions or account balances and thus there is no financial information included in these financial statements related to the Authority.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable. The statement of net position includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the County's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers most revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for property taxes which use a 60-day period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, individual major funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It 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 Illegal Substance Tax, Fire Protection, Court Facilities, Recreation Support, and Haliwanger Retreat. The Property Tax Revaluation sub-fund is a legally budgeted fund under North Carolina General Statutes; however, in accordance with GASB Statement No. 54, this fund is consolidated in the General Fund for financial statement presentation. The remaining separately budgeted sub-funds are shown as departments within the General Fund.

The **Educational Facilities** fund is used to account 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.

The County reports the following major enterprise fund:

The **Public Utilities 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the County reports the following fund types:

The **special revenue funds** are used to account for specific revenues, such as various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

The **capital projects funds** account for financial resources to be used for the acquisition, construction, renovation, and maintenance of various facilities used by the County, the Airport, and Montgomery County Schools.

The **fiduciary funds** are used to account for activities in which the County is acting in a fiduciary capacity. The County maintains the following custodial funds:

- Property Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities within the County;
- Inmate Trust Fund, which accounts for monies deposited for the benefit of incarcerated inmates at the County Jail/Detention Center.

In accounting and reporting for its proprietary operations, the government applies all GASB pronouncements. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which did not conflict with or contradict GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any inter-fund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of these goods 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.

D. Budgets

Annual appropriated budgets are adopted for all funds. In accordance with State law, the budgets for the enterprise fund is adopted on the modified accrual basis of accounting, and a reconciliation is provided along with the budget schedule to reconcile from the modified accrual basis to the accrual basis. The governmental funds' budgets are adopted on a basis other than accounting principles generally accepted in the United States of America. The use of fund balance is shown as other financing sources for both governmental and proprietary funds. Additionally, the proprietary funds are budgeted on the modified accrual basis of accounting. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General fund, special revenue funds, and the enterprise funds. During the fiscal year ended June 30, 2021, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All budget appropriations lapse at the end of each year.

E. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. The County pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Any deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of State or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of 90 days or less are considered to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Deposits and Investments (Continued)

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT).

The NCCMT Government Portfolio is an SEC registered (2a-7) money market mutual fund which invests in treasuries and government agencies and is rated AAAM by S&P.

The County's investment in the NCCMT Government Portfolio is reported at fair value.

F. Restricted Cash and Cash Equivalents

The County reports restricted cash and cash equivalents in the General Fund related to the Tax Revaluation Fund as the use is restricted per the North Carolina General Statute 153A-150. The County also reports restricted cash and cash equivalents in the Educational Facilities Fund that arise from the proceeds of borrowings that are being used to construct the new Montgomery Central High School. The use of these proceeds are restricted to the capital project for which the debt was incurred.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2021.

H. Allowances

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing any currently doubtful accounts as well as the percentage of receivables that were written off in prior years.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government wide financial statements as “internal balances.”

J. Inventories

All inventories are valued at average cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of the enterprise funds are recorded as expenses when consumed rather than when purchased.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items in both government-wide and fund financial statements.

L. Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to July 1, 2015, are recorded at their estimated fair value on the date of donation; donated capital assets received after July 1, 2015, are recorded at their estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

| | |
|---------------------------------------------|----------------|
| Buildings | 39 years |
| Infrastructure and depreciable improvements | 25 to 39 years |
| Vehicles and other motorized equipment | 7 to 15 years |
| Other furniture, fixtures and equipment | 15 years |

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item that qualifies for reporting in this category which occurs in the governmental activities. The County reports a deferred inflow of resources for the property taxes paid in advance of the period they were intended to finance. Additionally, the County reports one item which is reported as a deferred inflow of resources which arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the accrual of ad valorem taxes and intergovernmental revenues which are earned by the County but are not considered available for the liquidation of current expenditures.

The County also has deferred inflows and outflows related to the recording of changes in its net pension liability – LGERS, net pension liability (asset) – RODSPF, and total pension liability – LEOSA and its total OPEB liability. Certain changes in the pension and OPEB liabilities are recognized as pension or OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the pension or OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the pension or OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in proportion and differences between employer contributions and proportionate share of contributions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension or OPEB expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Finally, any contributions made by the County to its pension plans (LGERS, RODSPF, and LEOSA) that occur after the respective measurement date of the plan but before the County's fiscal year end will be reported as deferred outflows of resources and credited as contributions from the County to the respective plan in the subsequent measurement period/County fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. An expense and a corresponding liability is accrued in the County's government-wide and proprietary fund financial statements as the vacation leave is earned.

The overtime policy of the County provides for the accumulation of up to sixty (60) days for non-exempt public safety employees and up to thirty (30) 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. An expense and a corresponding liability is accrued in the County's government-wide and proprietary fund financial statements as the compensated absences are 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.

O. Long-term Obligations

In the government-wide financial statements and proprietary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are accrued and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash), or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. One component of the restricted fund balance of the General Fund relates to the Stabilization by State Statute (G.S. 159-8(a)) which requires fund balance not available for appropriation to be shown as “restricted by State Statute.” Fund balance not available for appropriation is defined as the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by the County’s Board of Commissioners (the “Board”). Approval of a resolution after a formal vote of the County’s Board is required to establish a commitment of fund balance. Similarly, the County’s Board may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

Assigned – Fund balances are reported as assigned when amounts are constrained by the County’s intent to be used for specific purposes but are neither restricted nor committed. Fund balance can be assigned via the budget adopted by the Board, by the County Manager, or other management.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and the Register of Deeds’ Supplemental Pension Fund (RODSPF) and additions to/deductions from LGERS’ and RODSPF’s fiduciary net position have been determined on the same basis as they are reported by LGERS and RODSPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, deferred inflows of resources, and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “the net pension asset (RODSPF), net pension liability (LGERs), and total pension liability (LEOSSA), and the related deferred outflows and inflows of resources related to the County’s defined benefit pension plans are not expected to be liquidated with available financial resources and, therefore, are not reported in the governmental funds.” The details of this \$2,063,834 difference are as follows:

| | | |
|------------------------------------------------------------------------------------------------------------------------------------|----|---------------------------|
| Net pension asset - RODSPF | \$ | 55,521 |
| Net pension liability - LGERs | | (3,278,123) |
| Total pension liability - LEOSSA | | (764,056) |
| Deferred outflows of resources - pension items | | 2,118,802 |
| Deferred inflows of resources - pension items | | <u>(195,978)</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | \$ | <u><u>(2,063,834)</u></u> |

Another element of that reconciliation explains that “the total OPEB liability and related deferred outflows and inflows of resources related to the County’s OPEB plan are not expected to be liquidated with available financial resources and, therefore, are not reported in the governmental funds.” The details of this \$4,616,445 difference are as follows:

| | | |
|------------------------------------------------------------------------------------------------------------------------------------|----|---------------------------|
| Total OPEB liability | \$ | (4,277,376) |
| Deferred outflows of resources - OPEB items | | 650,457 |
| Deferred inflows of resources - OPEB items | | <u>(989,526)</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | \$ | <u><u>(4,616,445)</u></u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

Another element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.” The details of this \$76,701,990 difference are as follows:

| | |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Certificates of participation | \$ (6,393,402) |
| Installment purchase loans | (69,139,852) |
| Accrued interest payable | (493,197) |
| Compensated absences (i.e., vacation) | <u>(675,541)</u> |
| Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u><u>\$ (76,701,992)</u></u> |

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$4,402,318 difference are as follows:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Capital outlay | \$ 6,176,541 |
| Depreciation expense | <u>(1,774,223)</u> |
| Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i> | <u><u>\$ 4,402,318</u></u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds; neither transaction, however, has any effect on net position.” The details of this \$1,837,431 difference are as follows:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Issuance of installment purchase contracts | \$ (67,678,000) |
| Principal payments - installment purchase contracts | 208,836 |
| Principal payments - certificates of participation | <u>69,306,595</u> |
| Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u>\$ 1,837,431</u> |

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$213,456 difference are as follows:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Compensated absences (i.e., vacation) | \$ (114,092) |
| Change in accrued interest | 493,197 |
| Pension expense - LGERS | (314,228) |
| Pension expense - LEOSSA | (1,676) |
| Pension expense - RODSPF | 4,604 |
| OPEB expense | <u>145,651</u> |
| Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position - governmental activities</i> | <u>\$ 213,456</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the County will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund. Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the County Manager. Transfers of appropriations between departments of less than \$5,000, and which do not involve salary or benefit appropriations, can be moved with the approval of the County Manager. Other increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

For the fiscal year ended June 30, 2021, the following departments reported actual expenditures that exceeded final appropriations:

| | |
|--------------------------------|-----------|
| General Fund: | |
| Volunteer Fire Departments | \$ 57,739 |
| Care Coordination for Children | 2,606 |
| Fire Districts: | |
| Badin Lake Operations | 4,764 |
| Lake Tillery Operations | 443 |
| Public Utilities: | |
| Public Utilities Operations | 8,830 |

These expenditures in excess of appropriations were funded by greater than anticipated revenues and available fund balance, as applicable.

In addition to the above expenditures in excess of final appropriations, the County did not adopt a budget for the following special revenue funds for the fiscal year ended June 30, 2021:

Representative Payee Fund
Fines and Forfeitures Fund
Conservation District Fund
Agriculture Advisory Board Fund

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2021, are summarized as follows:

Statement of Net Position:

Primary government:

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 54,533,235 |
|---------------------------|---------------|

| | |
|--------------------------------------|-----------|
| Restricted cash and cash equivalents | 2,751,941 |
|--------------------------------------|-----------|

Discretely presented component unit:

| | |
|-----------------------|---------|
| Montgomery County TDA | 244,226 |
|-----------------------|---------|

| | |
|-----------------------------|--------|
| Fiduciary - custodial funds | 90,996 |
|-----------------------------|--------|

| |
|----------------------|
| <u>\$ 57,620,398</u> |
|----------------------|

| | |
|--------------------------------------------|--------------|
| Cash deposited with financial institutions | \$ 9,780,350 |
|--------------------------------------------|--------------|

| | |
|---------------------------|------------|
| Cash deposited with NCCMT | 47,840,048 |
|---------------------------|------------|

| |
|----------------------|
| <u>\$ 57,620,398</u> |
|----------------------|

Credit risk. State statutes and the County's policies authorize the County to invest in obligations of the State of North Carolina or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the NCCMT; and obligations of other political subdivisions of the state of North Carolina. The County does not have a separate credit rating policy which provides restrictions or limitations on credit ratings for the County's investments aside from adherence to the provisions of North Carolina G.S. 159-30.

As of June 30, 2021, the County had \$47,840,048 in the NCCMT Government Portfolio. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented by the County as cash equivalents in the financial statements.

The County's investments in the NCCMT Government Portfolio carried a credit rating of AAAM Standard & Poor's as of June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurement. The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The County's investments in the NCCMT Government Portfolio are Level 1 investments.

Interest Rate Risk. The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes (G.S. 159-31) require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2021, the County's deposits are insured or collateralized as required by GASB and state statutes.

NOTE 5. RECEIVABLES

Receivables at June 30, 2021, for the County's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

| | <u>General</u> | <u>Educational Facilities</u> | <u>Public Utilities</u> | <u>Nonmajor Governmental</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------|----------------------------------|
| Receivables: | | | | |
| Taxes | \$ 1,838,474 | \$ - | \$ - | \$ 39,161 |
| Accounts | 2,740,344 | - | 1,505,155 | - |
| Due from other governments | 90,219 | 206,379 | 824,987 | 45,136 |
| Less allowance for uncollectible | (755,743) | - | (646,312) | (13,831) |
| Net total receivables | <u>\$ 3,913,294</u> | <u>\$ 206,379</u> | <u>\$ 1,683,830</u> | <u>\$ 70,466</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the County for the year ended June 30, 2021, is as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|----------------------------------------------|----------------------|--------------|-----------|-----------|-------------------|
| Governmental Activities: | | | | | |
| Nondepreciable capital assets: | | | | | |
| Land and land improvements | \$ 5,002,054 | \$ - | \$ - | \$ - | \$ 5,002,054 |
| Construction in progress | 62,116,674 | 4,532,378 | - | - | 66,649,052 |
| Total | 67,118,728 | 4,532,378 | - | - | 71,651,106 |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 34,532,809 | 106,120 | - | - | 34,638,929 |
| Airport infrastructure | 2,875,769 | - | - | - | 2,875,769 |
| Vehicles and motorized equipment | 7,941,392 | 674,623 | (176,908) | - | 8,439,107 |
| Other equipment | 5,641,937 | 863,420 | - | - | 6,505,357 |
| Total being depreciated | 50,991,907 | 1,644,163 | (176,908) | - | 52,459,162 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (12,639,087) | (854,258) | - | - | (13,493,345) |
| Airport infrastructure | (659,208) | (70,096) | - | - | (729,304) |
| Vehicles and motorized equipment | (5,161,784) | (441,168) | 176,908 | - | (5,426,044) |
| Other equipment | (2,599,698) | (408,701) | - | - | (3,008,399) |
| Total | (21,059,777) | (1,774,223) | 176,908 | - | (22,657,092) |
| Total capital assets, being depreciated, net | 29,932,130 | (130,060) | - | - | 29,802,070 |
| Governmental activities capital assets, net | \$ 97,050,858 | \$ 4,402,318 | \$ - | \$ - | \$ 101,453,176 |

Depreciation expense was charged to functions/programs of the County as follows:

| | |
|------------------------------------------------------|--------------|
| Governmental activities: | |
| General government | \$ 100,258 |
| Public safety | 774,090 |
| Transportation | 107,038 |
| Human services | 39,534 |
| Education | 486,371 |
| Environmental protection | 11,587 |
| Economic and physical development | 240,938 |
| Culture and recreational | 14,407 |
| Total depreciation expense - governmental activities | \$ 1,774,223 |

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|----------------------------------------------|----------------------|--------------------|-----------------|-------------|----------------------|
| Business-type Activities: | | | | | |
| Nondepreciable capital assets: | | | | | |
| Land and land improvements | \$ 146,066 | \$ 10,615 | \$ - | \$ - | \$ 156,681 |
| Construction in progress | 1,735,198 | 2,054,684 | - | - | 3,789,882 |
| Total | <u>1,881,264</u> | <u>2,065,299</u> | <u>-</u> | <u>-</u> | <u>3,946,563</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 5,568,132 | - | - | - | 5,568,132 |
| Lines and related infrastructure | 35,969,994 | - | - | - | 35,969,994 |
| Vehicles and motorized equipment | 456,987 | 26,461 | (68,448) | - | 415,000 |
| Other equipment | 4,256,565 | - | - | - | 4,256,565 |
| Total being depreciated | <u>46,251,678</u> | <u>26,461</u> | <u>(68,448)</u> | <u>-</u> | <u>46,209,691</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (4,925,766) | (137,842) | - | - | (5,063,608) |
| Lines and related infrastructure | (17,145,967) | (884,889) | - | - | (18,030,856) |
| Vehicles and motorized equipment | (349,247) | (25,639) | 68,448 | - | (306,438) |
| Other equipment | (1,425,469) | (124,678) | - | - | (1,550,147) |
| Total | <u>(23,846,449)</u> | <u>(1,173,048)</u> | <u>68,448</u> | <u>-</u> | <u>(24,951,049)</u> |
| Total capital assets, being depreciated, net | <u>22,405,229</u> | <u>(1,146,587)</u> | <u>-</u> | <u>-</u> | <u>21,258,642</u> |
| Business-type activities capital assets, net | <u>\$ 24,286,493</u> | <u>\$ 918,712</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 25,205,205</u> |

Depreciation expense for the County's business-type activities was all charged to the Public Facilities Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2021, is as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------------------|----------------------|----------------------|------------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Certificates of participation | \$ 75,699,997 | \$ - | \$ (69,306,595) | \$ 6,393,402 | \$ 1,619,220 |
| Installment purchase loans* | 1,670,688 | 67,678,000 | (208,836) | 69,139,852 | 1,299,807 |
| Net pension liability - LGERS | 2,706,561 | 1,482,046 | (910,484) | 3,278,123 | - |
| Total pension liability - LEOSSA | 638,053 | 192,041 | (66,038) | 764,056 | - |
| Compensated absences | 561,449 | 430,328 | (316,236) | 675,541 | 135,108 |
| Total OPEB liability | 3,670,164 | 764,247 | (157,035) | 4,277,376 | - |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 84,946,912</u> | <u>\$ 70,546,662</u> | <u>\$ (70,965,224)</u> | <u>\$ 84,528,350</u> | <u>\$ 3,054,135</u> |
| Business-type activities: | | | | | |
| State revolving loans* | \$ 4,787,152 | \$ 573,003 | \$ (460,152) | \$ 4,900,003 | \$ 488,802 |
| Installment purchase loans* | 4,219,160 | - | (263,351) | 3,955,809 | 272,342 |
| Net pension liability - LGERS | 181,389 | 71,752 | (55,035) | 198,106 | - |
| Compensated absences | 29,929 | 26,933 | (27,437) | 29,425 | 5,885 |
| Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 9,217,630</u> | <u>\$ 671,688</u> | <u>\$ (805,975)</u> | <u>\$ 9,083,343</u> | <u>\$ 767,029</u> |

* Direct borrowing/direct placement

For governmental funds, the General Fund is primarily responsible for the liquidation of the net pension liability – LGERS, total pension liability – LEOSSA, total OPEB liability, and compensated absences. For the County's business-type activities, the net pension liability – LGERS and compensated absences are liquidated by the Public Utilities Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Governmental Activities Installment Purchase Loans

In September 2012, the County entered a direct placement installment purchase loan agreement in the amount of \$3,132,537 to finance the costs of improvements and renovations to various school facilities. The loan requires annual principal payments in the amount of \$208,836 and interest on the outstanding balance at 4.21% until maturity in September 2027.

In March 2021, the County executed eight (8) installment purchase contracts with the United States Department of Agriculture (USDA) Rural Development, to provide \$67,678,000 total funding as permanent financing for the Montgomery County High School project. The USDA Rural Development funds were used to pay off the previously outstanding construction financing and the amounts loaned to the County from USDA Rural Development will be repaid over a period of forty (40) years at an annual interest rate of 2.75%. Both interest payments and principal payments are made annually on March 25, starting on March 25, 2022, until maturity on March 25, 2061.

Total debt service to maturity on the installment purchase loan is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|----------------------|----------------------|-----------------------|
| Year Ending June 30, | | | |
| 2022 | \$ 1,299,807 | \$ 1,499,701 | \$ 2,799,508 |
| 2023 | 1,322,990 | 1,467,726 | 2,790,716 |
| 2024 | 1,342,854 | 1,439,070 | 2,781,924 |
| 2025 | 1,370,764 | 1,402,369 | 2,773,133 |
| 2026 | 1,395,455 | 1,368,886 | 2,764,341 |
| 2027-2031 | 6,736,123 | 6,353,570 | 13,089,693 |
| 2032-2036 | 7,016,257 | 5,629,388 | 12,645,645 |
| 2037-2041 | 7,797,920 | 4,847,725 | 12,645,645 |
| 2042-2046 | 8,662,762 | 3,982,883 | 12,645,645 |
| 2047-2051 | 9,623,533 | 3,022,112 | 12,645,645 |
| 2052-2056 | 10,690,055 | 1,955,591 | 12,645,646 |
| 2057-2061 | 11,881,332 | 768,505 | 12,649,837 |
| Total | <u>\$ 69,139,852</u> | <u>\$ 33,737,526</u> | <u>\$ 102,877,378</u> |

Governmental Activities Certificates of Participation

In December 2014, the County sold certificates of participation (COPs) for the purpose of refunding the previously outstanding Series 2007 COPs that were issued to finance the construction of a new elementary school. The Series 2014 COPs were issued in an original amount of \$3,132,538 at an interest rate of 4.21%. Interest payments are made semiannually on February 1 and August 1 and principal payments are made annually on February 1 until maturity on February 1, 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Governmental Activities Certificates of Participation (Continued)

In January 2015, the County sold COPs for the purpose of refunding the previously outstanding Series 2007 COPs that were issued to finance the construction of a new jail facility. The Series 2015 COPs were issued in an original amount of \$5,745,605 at an interest rate of 2.47%. Interest payments are made semiannually on February 1 and August 1 and principal payments are made annually on February 1 until maturity on February 1, 2025.

The debt service to maturity on the County's outstanding COPs are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-------------------|---------------------|
| Year Ending June 30, | | | |
| 2022 | \$ 1,619,220 | \$ 157,917 | \$ 1,777,137 |
| 2023 | 1,605,534 | 117,922 | 1,723,456 |
| 2024 | 1,591,509 | 78,266 | 1,669,775 |
| 2025 | 1,577,139 | 38,955 | 1,616,094 |
| Total | <u>\$ 6,393,402</u> | <u>\$ 393,060</u> | <u>\$ 6,786,462</u> |

Business-type Activities Installment Purchase Loans

In May 2013, the County entered a direct placement installment purchase loan agreement in the amount of \$5,831,300 to finance the costs of expansions and improvements to its water supply system. The loan requires an annual principal payment on June 1 of each year and bears interest at 3.47%.

Total debt service to maturity on the installment purchase loan is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-------------------|---------------------|
| Year Ending June 30, | | | |
| 2022 | \$ 272,342 | \$ 137,267 | \$ 409,609 |
| 2023 | 281,788 | 127,816 | 409,604 |
| 2024 | 291,182 | 118,038 | 409,220 |
| 2025 | 301,023 | 107,934 | 408,957 |
| 2026 | 311,801 | 97,489 | 409,290 |
| 2027-2031 | 1,725,777 | 317,509 | 2,043,286 |
| 2032-2033 | 771,896 | 40,396 | 812,292 |
| Total | <u>\$ 3,955,809</u> | <u>\$ 946,449</u> | <u>\$ 4,902,258</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Business-type Activities State Revolving Loans

The County has entered into multiple agreements with the State of North Carolina Department of Environmental Quality (NCDEQ) to finance various projects with funds from the Drinking Water State Revolving Fund. The information on the outstanding loans the County has with NCDEQ is as follows:

| <u>Date of Loan</u> | <u>Loan Amount</u> | <u>Interest Rate</u> | <u>Payment Dates</u> | <u>Maturity Date</u> | <u>Balance</u> |
|---------------------|--------------------|----------------------|----------------------|----------------------|---------------------|
| January 2008 | \$ 4,345,162 | 2.265% | 5/1 and 11/1 | 5/1/2028 | \$ 1,789,184 |
| September 2012 | 1,231,192 | 2.455% | 5/1 and 11/1 | 5/1/2029 | 579,385 |
| May 2015 | 2,208,237 | - | 5/1 | 5/1/2035 | 1,545,766 |
| January 2020 | 434,384 | - | 5/1 | 5/1/2040 | 412,665 |
| June 2021 | 573,003 | - | 5/1 | 5/1/2041 | 573,003 |
| | | | | | <u>\$ 4,900,003</u> |

Total debt service to maturity on the County's outstanding loans with NCDEQ is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-------------------|---------------------|
| Year Ending June 30, | | | |
| 2022 | \$ 488,802 | \$ 54,749 | \$ 543,551 |
| 2023 | 488,802 | 47,182 | 535,984 |
| 2024 | 488,802 | 39,614 | 528,416 |
| 2025 | 488,802 | 32,047 | 520,849 |
| 2026 | 488,802 | 24,480 | 513,282 |
| 2027-2031 | 1,532,371 | 28,036 | 1,560,407 |
| 2032-2036 | 693,494 | - | 693,494 |
| 2037-2041 | 230,128 | - | 230,128 |
| Total | <u>\$ 4,900,003</u> | <u>\$ 226,108</u> | <u>\$ 5,126,111</u> |

NOTE 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2021, is as follows:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|---------------------|------------------|
| Public Utilities Fund | General Fund | <u>\$ 25,307</u> |

The amount owed by the General Fund relates to timing differences of when the County accrues sales tax revenues from the North Carolina Department of Revenue and when the cash is received and moved to the applicable fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

The composition of interfund transfers for the year ended June 30, 2021, is as follows:

| Transfer out | Transfer in | Amount |
|-----------------------------|-----------------------------|------------------|
| General Fund | Education Facilities Fund | \$ 1,406,554 |
| General Fund | Nonmajor governmental funds | 2,856,209 |
| | | <u>4,262,763</u> |
| Nonmajor governmental funds | General fund | \$ 59,885 |
| | | <u>59,885</u> |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The General Fund transferred funds to the Educational Facilities Fund and the nonmajor governmental funds related to the funding of capital projects.

NOTE 9. PENSION PLANS

The County participates in three defined benefit pension plans: the Local Governmental Employees' Retirement System (LGERS), Law Enforcement Officers Special Separation Allowance, and the Registers of Deeds' Supplemental Pension Fund (RODSPF). Only the LGERS and RODSPF are funded with qualifying trusts and accounted for by the County under GASB Statement No. 68. The LEOSSA is reported in accordance with GASB Statement No. 73. The net pension liability (asset), total pension liability, and related deferred outflows of resources and deferred inflows of resources for the LGERS, LEOSSA, and RODSPF are summarized as follows:

| | LGERS | LEOSSA | RODSPF | Total |
|----------------------------------------------------|-----------|---------|-----------|-----------|
| Net pension asset | \$ - | \$ - | \$ 55,521 | \$ 55,521 |
| Net pension liability | 3,476,229 | - | - | 3,476,229 |
| Total pension liability | - | 764,056 | - | 764,056 |
| Deferred outflows of resources related to pensions | 2,013,584 | 210,271 | 6,430 | 2,230,285 |
| Deferred inflows of resources related to pensions | 126,544 | 67,149 | 9,497 | 203,190 |
| Pension expense | 1,135,053 | 66,755 | 1,972 | 1,203,780 |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide LGERS, a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members—nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, 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). 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 postretirement benefit increases. Increases are contingent upon actuarial 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The County employees are required to contribute 6% of their compensation. 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, 2021, was 10.90% of compensation for law enforcement officers and 10.15% for general employees and firefighters, 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. Contributions to the pension plan from the County were \$826,711 for the year ended June 30, 2021.

Refunds of Contributions – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. 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.

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

At June 30, 2021, the County reported a liability of \$3,476,229 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the County's proportion was 0.09728%, which was a decrease of 0.00847% from its proportion measured as of June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2021, the County recognized pension expense of \$1,135,053. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 438,987 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 489,186 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | - | 126,544 |
| Changes in plan assumptions | 258,700 | - |
| County contributions subsequent to the measurement date | 826,711 | - |
| Total | \$ 2,013,584 | \$ 126,544 |

County contributions made subsequent to the measurement date of \$826,711 are reported as deferred outflows of resources and will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|-----------------------------|--------------|
| Year Ending June 30: | |
| 2022 | \$ 280,883 |
| 2023 | 402,974 |
| 2024 | 231,697 |
| 2025 | 144,775 |
| Total | \$ 1,060,329 |

Actuarial Assumptions. The total pension liability as of June 30, 2020, was determined by the December 31, 2019 actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-------------------------------------------------------------------|
| Inflation | 3.00% |
| Salary increases | 3.50 to 8.10%, including inflation and productivity factor |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Actuarial Assumptions (Continued). The plan actuary currently uses mortality rates based on the *RP-2014 Total Data Set for Healthy 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 healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|----------------------|--------------------------|---------------------------------------------------|
| Fixed Income | 32.3% | 1.4% |
| Global Equity | 32.7% | 5.3% |
| Real Estate | 9.2% | 4.3% |
| Alternatives | 9.2% | 8.9% |
| Credit | 9.2% | 6.0% |
| Inflation Protection | 7.0% | 4.0% |
| Total | 100% | |

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

A. Local Governmental Employees' Retirement System (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. This represents a reduction from the discount rate used in the prior year rate of 7.00%. 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 Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 %) or one percentage point higher (8.0%) than the current rate:

| | 1% Decrease (6.0%) | Discount Rate (7.0%) | 1% Increase (8.0%) |
|-------------------------------------------------------------------|-------------------------------|---------------------------------|-------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ 7,052,889 | \$ 3,476,229 | \$ 503,772 |

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

B. Law Enforcement Officers Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is administered by the State of North Carolina. The Separation Allowance is equal to 0.85% 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. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report is not issued for the Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2019, the date of the most recent actuarial valuation the Separation Allowance's membership consisted of:

| | |
|-----------------------------|------------------|
| Retirees receiving benefits | 7 |
| Active plan members | <u>29</u> |
| Total | <u><u>36</u></u> |

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria, which are outlined in GASB Statement 73 paragraph 4.

Actuarial Assumptions. The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|------------------------------------------------------------|
| Inflation | 2.50% |
| Salary increases | 3.25 to 7.75%, including inflation and productivity factor |
| Discount rate | 1.93% |

The discount rate used to measure the total pension liability is the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index. Since the prior measurement date, the discount rate has changed from 3.26% to 1.93% due to a change in the Municipal Bond Rate.

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, 2019 valuation were based on the results of an experience study completed by the actuary for LGERS for the five-year period ending December 31, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$65,079 as benefits came due for the reporting period.

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

At June 30, 2021, the County reported a total pension liability of \$764,056. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$66,755. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Change in assumptions | \$ 168,435 | \$ 11,569 |
| Difference between expected and actual experience | 10,320 | 55,580 |
| County benefit payments made subsequent to the measurement date. | 31,516 | - |
| Total | <u>\$ 210,271</u> | <u>\$ 67,149</u> |

An amount of \$31,516, 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized as reductions of pension expense as follows:

| Year ending June 30 | |
|---------------------|-------------------|
| 2022 | \$ 19,811 |
| 2023 | 24,156 |
| 2024 | 31,676 |
| 2025 | 30,365 |
| 2026 | 5,598 |
| Total | <u>\$ 111,606</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

B. Law Enforcement Officers Special Separation Allowance (Continued)

Changes in the Total Pension Liability. The changes in the total pension liability of the County for the fiscal year ended June 30, 2021, were as follows:

| | <u>Total Pension Liability</u> |
|---------------------------------------------------|--------------------------------|
| Balance at June 30, 2020 | \$ 638,053 |
| Service cost | 26,724 |
| Interest | 19,724 |
| Difference between expected and actual experience | (37,201) |
| Change of assumptions or other inputs | 182,794 |
| Contributions | (66,038) |
| Balance at June 30, 2021 | <u>\$ 764,056</u> |

The required schedule of changes in the County's total pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information.

Sensitivity of the County's Total Pension Liability to Changes in the Discount Rate. The following presents the County's total pension liability calculated using the discount rate of 3.26%, 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 (2.26%) or 1-percentage-point higher (4.26%) than the current rate:

| | <u>1% Decrease (0.93%)</u> | <u>Discount Rate (1.93%)</u> | <u>1% Increase (2.93%)</u> |
|-------------------------|--------------------------------|----------------------------------|--------------------------------|
| Total pension liability | \$ 822,558 | \$ 764,056 | \$ 710,580 |

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NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the RODSPF, a noncontributory cost-sharing multiple-employer, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the LGERS or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members-nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The RODSPF is included in the ACFR for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for the RODSPF. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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 the statutory limits noted above, 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 North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined 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 pension plan from the County were \$2,630 for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

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

At June 30, 2021, the County reported an asset of \$55,521 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2020, the County's proportion was 0.24226%, which was an increase of 0.02856% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$1,972. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 1,131 |
| Net difference between projected and actual earnings on pension plan investments | - | 4,751 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 3,800 | 3,615 |
| County contributions subsequent to measurement date | 2,630 | - |
| Total | <u>\$ 6,430</u> | <u>\$ 9,497</u> |

County contributions made subsequent to the measurement date of \$2,630 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|-----------------------------|-------------------|
| Year Ending June 30: | |
| 2022 | \$ (733) |
| 2023 | (1,623) |
| 2024 | (2,144) |
| 2025 | (1,197) |
| Total | <u>\$ (5,697)</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--------------------------------------------------------------------|
| Inflation | 3.00% |
| Salary increases | 3.50 to 7.75%, including inflation and productivity factor |
| Investment rate of return | 3.75%, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. 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, 2021, is 1.40%, including inflation.

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

C. Register of Deeds' Supplemental Pension Fund (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.

The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.75%) or one percentage point higher (4.75%) than the current rate:

| | 1% Decrease (2.75%) | Discount Rate (3.75%) | 1% Increase (4.75%) |
|-------------------------------------------------------------------|--------------------------------|----------------------------------|--------------------------------|
| County's proportionate share of the net pension asset (liability) | \$ 47,158 | \$ 55,521 | \$ 62,598 |

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the state of North Carolina.

D. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the ACFR for the state of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (CONTINUED)

D. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)

Funding Policy. Article 12E of G.S. Chapter 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. Additionally, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021, were \$103,764, which consisted of \$56,443 from the County and \$47,321 from the law enforcement officers.

E. Supplemental Retirement Income Plan for General Government Employees

Plan Description. The County contributes to the Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general government employees employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for General Government Employees is included in the ACFR for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for General Government Employees. That report may be obtained by writing to the Office of the State controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to 10.90% of each general government employee's salary, and all amounts contributed are vested immediately. Also, the general government employees are required to make contributions to the plan equal to six percent of each general government employee's salary. Contributions for the year ended June 30, 2021, were \$416,540, which consisted of \$157,792 from the County and \$258,748 from the general government employees.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan Administration and Benefits. The County, as authorized by the County Commission, administers a single-employer defined benefit Retiree Healthcare Coverage Plan (the "RHC Plan"). The RHC Plan is administered by County management, under the direction of the County's Board of Commissioners. The County will provide, at its expense, medical insurance for all full-time employees who retire with unreduced benefits from the North Carolina Local Governmental Employees' Retirement System (LGERS) and meet the following criteria: (1) were hired before July 1, 2013; (2) have at least thirty (30) or more years of creditable service with the County; and (3) attain age 62. The County will pay the full amount of the retiree's healthcare premium for employees meeting these criteria until becoming eligible for Medicare at which time, the benefit provided by the County changes to \$125 per month for the retiree to purchase supplements to Medicare.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Administration and Benefits (Continued). The County's Board of Commissioners established and may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the RHC Plan.

Plan Membership. Membership of the RHC Plan consisted of the following at June 30, 2019, the date of the most recent actuarial valuation:

| | |
|---------------------------------------------------------|------------|
| Active participants | 81 |
| Retirees and beneficiaries currently receiving benefits | 52 |
| Total | <u>133</u> |

Contributions. The Board of Commissioners has elected to fund the RHC plan on a "pay as you go" basis. Per a County resolution, the County is required to contribute the current year benefit costs of the Plan which are not paid by the retiree. For the year ended June 30, 2021, the County contributed \$169,037 for the pay as you go benefits for the RHC Plan. Retirees do not contribute to the RHC Plan.

Total OPEB Liability of the County. The County's total OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was then rolled forward to the measurement date of June 30, 2020, utilizing updated procedures incorporating the actuarial assumptions.

Actuarial assumptions. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount rate: | 2.21% |
| Healthcare cost trend rate: | 7.00% to 4.50%, Ultimate Trend in 2026 (Pre-Medicare) |
| Inflation rate: | 2.50% |
| Real wage growth: | 1.00% |
| Wage inflation: | 3.50% |
| Salary increases: | 3.50% to 7.35% (Law Enforcement Officers), including wage inflation 3.50% to 7.75% (General Employees and Firefighters), including wage inflation |
| Participation rate: | 100% |

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Discount Rate. The discount rate used to measure the total OPEB liability was 2.21%, the rate was decreased from the discount rate of 3.50% which was used for the prior measurement period. This rate was determined using an index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA or higher—which was 2.21% as determined by the Bond Buyer General Obligation 20-year Municipal Bond Index as of June 30, 2021.

Changes in the Total OPEB Liability of the County. The changes in the components of the total OPEB liability of the County for the year ended June 30, 2021, were as follows:

| | Total OPEB Liability |
|----------------------------------------------------|---------------------------------|
| Balances at June 30, 2020 | \$ 3,670,164 |
| Changes for the year: | |
| Service cost | 127,089 |
| Interest | 125,708 |
| Differences between expected and actual experience | - |
| Assumption changes | 511,450 |
| Benefit payments | (157,035) |
| Net changes | 607,212 |
| Balances at June 30, 2021 | \$ 4,277,376 |

The required schedule of changes in the County's total OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

| | 1% Decrease (1.21%) | Discount Rate (2.21%) | 1% Increase (3.21%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB liability | \$ 4,739,444 | \$ 4,277,376 | \$ 3,879,234 |

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates. The table at the top of the following page 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 (5.5% decreasing to 3.5%) or 1-percentage-point higher (7.5% decreasing to 5.5%) than the current healthcare cost trend rates.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued).

| | 1% Decrease (5.5% to 3.5%) | Current Trend Rate | 1% Increase (7.5% to 5.5%) |
|----------------------|-------------------------------|--------------------|-------------------------------|
| Total OPEB liability | \$ 4,036,513 | \$ 4,277,376 | \$ 4,554,122 |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2021, and the current sharing pattern of costs between employer and inactive employees.

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

For the year ended June 30, 2021, the County recognized OPEB expense of \$28,871. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 2,671 | \$ 809,388 |
| Changes in assumptions | 478,749 | 180,138 |
| Benefits paid subsequent to measurement period | 169,037 | - |
| Total | <u>\$ 650,457</u> | <u>\$ 989,526</u> |

Benefits paid by the County subsequent to the measurement date of \$169,037 are reported as deferred outflows of resources and will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|-----------------------------|---------------------|
| Year Ending June 30: | |
| 2022 | \$ (229,536) |
| 2023 | (228,091) |
| 2024 | (139,245) |
| 2025 | 88,766 |
| Total | <u>\$ (508,106)</u> |

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error 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 BlueCross BlueShield 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 issues separately audited annual financial statements that 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 G.S. 159-29, County employees that have access to \$100 or more at any given time of the County's 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.

The County carries commercial coverage for all other risks of loss, including limited coverage for floods and other natural disasters. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation. The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Construction Commitments. The County has several active construction projects as of June 30, 2021, with contractual commitments on the uncompleted contract of \$3,168,051.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grant Contingencies. The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the County believes such, disallowances, if any, will not be significant.

NOTE 13. JOINT VENTURES

Montgomery Community College. The County, in conjunction with the State of North Carolina and Montgomery County Board of Education, participates in a joint venture to operate Montgomery Community College (MCC). The County, the State of North Carolina, and the Montgomery County Board of Education each appoint four (4) 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 for MCC.

The County has the basic responsibility for providing funding for the facilities of MCC and also provides some financial support of MCC's operations. The County has an ongoing financial responsibility for MCC because of the statutory responsibilities to provide funding for MCC's facilities. During the fiscal year ended June 30, 2021, the County contributed \$794,400 to operating purposes and \$343,300 for facility maintenance costs to MCC.

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, MCC is included as a component unit of the State of North Carolina. Complete financial statements may be obtained from MCC at the Administrative Offices, 1011 Page Street, Troy, North Carolina 27371.

Sandhill Regional Library System. The County participates in a joint venture to operate the Sandhill Regional Library System (SRLS) with four other governments: Anson County, Hoke County, Moore County, and Richmond County. Each participating government appoints three (3) members to the fifteen (15) 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 governments have an equity interest in the SRLS and therefore, 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 \$327,456, \$316,620, and \$311,526 for the years ended June 30, 2021, 2020, and 2019, respectively, to supplement the activities of the local library operations, including \$11,000, \$11,800, and \$11,800, respectively, to SRLS directly.

Complete financial statements for SRLS can be obtained from the administrative offices at 412 East Franklin Street, Rockingham, North Carolina 28379.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. JOINT VENTURES (CONTINUED)

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 County, Hoke County, Montgomery County, Moore County, and Richmond County. 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 governments have an equity interest in the SRLS and therefore, 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 in each of the past three (3) fiscal years to supplement the activities of the Sandhills Center. 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 14. JOINTLY GOVERNED ORGANIZATIONS

The County, in conjunction with eleven other counties and 61 other municipalities, are members of the Piedmont Triad Regional Council (PTRC). The State established PTRC to coordinate various funding received from Federal and State agencies. Each participating government appoints one member to PTRC's governing board. The County paid membership fees of \$8,958 to PTRC during the fiscal year ended June 30, 2021. Complete financial statements for PTRC can be obtained from the administrative offices at 1398 Carrollton Crossing Drive, Kernersville, North Carolina 27284.

NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE

The County implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

As part of implementing the statement, the County performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Beginning net position, governmental activities, as previously reported | \$ 59,335,012 |
| Cash received under the Social Security Administration's Representative Payee Program (net of liabilities owed for payments on behalf of beneficiaries) was were reclassified out of agency funds previously reported by the County into a newly created special revenue fund. The portion of liabilities in the agency fund representing net cash available at the beginning of the year was restated as beginning net position of the County's governmental activities. | 51,840 |
| Cash and other assets held by the County (net of liabilities) on behalf of advisory boards that are not separate legal entities and are a part of the County's financial reporting entity were reclassified out of agency funds previously reported by the County and into newly created special revenue funds. The portion of liabilities in the agency fund representing net cash available at the beginning of the year was restated as beginning net position of the County's governmental activities | <u>15,591</u> |
| Beginning net position, governmental activities, as restated | <u><u>\$ 59,402,443</u></u> |
| Beginning fund balance, nonmajor governmental funds, as previously reported | \$ 5,580,995 |
| Beginning fund balance, SSA Representative Payee Fund, restated | 51,840 |
| Beginning fund balance, Conservation District Fund, restated | 9,529 |
| Beginning fund balance, Agriculture Advisory Board, restated | <u>6,062</u> |
| Beginning fund balance, nonmajor governmental funds, as restated | <u><u>\$ 5,648,426</u></u> |
| Beginning fiduciary net position, as previously reported | \$ - |
| Cash and other assets held by the County in the inmate trust custodial fund for inmates in the County's jail until the County is instructed by the beneficiary how the assets should be distributed | <u>20,868</u> |
| Beginning fiduciary net position, as restated | <u><u>\$ 20,868</u></u> |

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST EIGHT FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------------------------------------------|---------------------|--------------|--------------|--------------|
| County's proportion of the net pension liability (asset) (%) | 0.09728% | 0.32914% | 0.111% | 0.118% |
| County's proportion of the net pension liability (asset) (\$) | \$ 3,476,229 | \$ 2,887,950 | \$ 2,621,912 | \$ 1,800,880 |
| County's covered payroll | \$ 7,389,356 | \$ 7,386,672 | \$ 7,171,555 | \$ 7,206,387 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 47.04% | 39.10% | 36.56% | 24.99% |
| Plan fiduciary net position as a percentage of the total pension liability | 88.61% | 90.86% | 91.63% | 94.18% |
| | | | | |
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| County's proportion of the net pension liability (asset) (%) | 0.123% | 0.125% | 0.125% | 0.127% |
| County's proportion of the net pension liability (asset) (\$) | \$ 2,611,109 | \$ 559,826 | \$ (738,480) | \$ 1,528,427 |
| County's covered payroll | \$ 7,175,471 | \$ 7,061,199 | \$ 7,086,642 | \$ 7,093,557 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 36.39% | 7.93% | (10.42%) | 21.55% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.47% | 98.09% | 102.64% | 94.35% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MONTGOMERY COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF COUNTY'S CONTRIBUTIONS LAST EIGHT FISCAL YEARS*

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

| | 2021 | 2020 | 2019 | 2018 |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 826,711 | \$ 683,847 | \$ 582,768 | \$ 551,436 |
| Contributions in relation to the contractually required contribution | 826,711 | 683,847 | 582,768 | 551,436 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| County's covered payroll | \$ 7,904,313 | \$ 7,389,356 | \$ 7,386,672 | \$ 7,171,555 |
| Contributions as a percentage of covered payroll | 10.46% | 9.25% | 7.89% | 7.69% |
| | | | | |
| | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 542,605 | \$ 491,297 | \$ 502,724 | \$ 503,084 |
| Contributions in relation to the contractually required contribution | 542,605 | 491,297 | 502,724 | 503,084 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| County's covered payroll | \$ 7,206,387 | \$ 7,175,471 | \$ 7,061,199 | \$ 7,086,642 |
| Contributions as a percentage of covered payroll | 7.53% | 6.85% | 7.12% | 7.10% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MONTGOMERY COUNTY, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Method and assumptions used in calculations of actuarially determined contributions : The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.

| | |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date | December 31, 2019 |
| Actuarial cost method | Frozen Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 12 years |
| Asset valuation method | Asset returns in excess of or less than the expected return on market value of assets reflected over a five-year period (not greater than 120% of market value and not less than 80% of market value) |
| Inflation rate | 3.00% |
| Salary increases | 3.50 – 8.10%, including inflation |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation |

MONTGOMERY COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY LAST FIVE FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

| | 2021 | 2020 | 2019 | 2018 |
|---------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning balance of the total pension liability | \$ 638,053 | \$ 619,499 | \$ 679,920 | \$ 714,648 |
| Service Cost | 26,724 | 25,109 | 24,777 | 22,760 |
| Interest on the total pension liability | 19,724 | 21,431 | 20,433 | 26,466 |
| Difference between expected and actual experience | (37,201) | 16,426 | (18,338) | (61,179) |
| Changes of assumptions or other inputs | 182,794 | 17,080 | (20,673) | 35,220 |
| Benefit payments | (66,038) | (61,492) | (66,620) | (57,995) |
| Ending balance of the total pension liability | <u>\$ 764,056</u> | <u>\$ 638,053</u> | <u>\$ 619,499</u> | <u>\$ 679,920</u> |
| | 2017 | | | |
| Beginning balance of the total pension liability | \$ 726,617 | | | |
| Service Cost | | | | |
| Interest on the total pension liability | 31,912 | | | |
| Difference between expected and actual experience | 24,992 | | | |
| Changes of assumptions or other inputs | (15,728) | | | |
| Benefit payments | (53,145) | | | |
| Ending balance of the total pension liability | <u>\$ 714,648</u> | | | |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MONTGOMERY COUNTY, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
LAST FIVE FISCAL YEARS

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------------------------------------------|--------------|--------------|-------------|-------------|
| Total pension liability | \$ 764,056 | \$ 638,053 | \$ 619,499 | \$ 679,920 |
| County's covered payroll | \$ 1,098,622 | \$ 1,073,691 | \$ 982,660 | \$ 991,893 |
| Total pension liability as a percentage of covered-employee payroll | 69.55% | 59.43% | 63.04% | 68.55% |
| | | | | |
| | <u>2017</u> | | | |
| Total pension liability | \$ 714,648 | | | |
| County's covered payroll | \$ 1,188,937 | | | |
| Total pension liability as a percentage of covered-employee payroll | 60.11% | | | |

Montgomery County is not contributing to and has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Note: Schedule is intended to show information for the last 10 fiscal years; additional years will be displayed as they become available.

MONTGOMERY COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) LAST EIGHT FISCAL YEARS*

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------------------------------------------|--------------------|-------------|-------------|-------------|
| County's proportion of the net pension asset (%) | 0.242% | 0.214% | 0.253% | 0.242% |
| County's proportion of the net pension liability (asset) (\$) | \$ (55,521) | \$ (42,189) | \$ (41,894) | \$ (41,380) |
| County's covered payroll | \$ 54,080 | \$ 53,020 | \$ 51,971 | \$ 51,500 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -102.66% | -79.57% | -80.61% | -80.35% |
| Plan fiduciary net position as a percentage of the total pension liability | 173.62% | 164.11% | 153.31% | 153.77% |
| | | | | |
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| County's proportion of the net pension asset (%) | 0.248% | 0.249% | 0.245% | 0.232% |
| County's proportion of the net pension liability (asset) (\$) | \$ (46,445) | \$ (57,682) | \$ (55,498) | \$ (49,453) |
| County's covered payroll | \$ 58,916 | \$ 58,328 | \$ 57,828 | \$ 57,828 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -78.83% | -98.89% | -95.97% | -85.52% |
| Plan fiduciary net position as a percentage of the total pension liability | 160.17% | 197.29% | 193.88% | 190.50% |

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MONTGOMERY COUNTY, NORTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF COUNTY'S CONTRIBUTIONS LAST EIGHT FISCAL YEARS

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 2,630 | \$ 3,274 | \$ 2,031 | \$ 2,165 |
| Contributions in relation to the contractually required contribution | <u>2,630</u> | <u>3,274</u> | <u>2,031</u> | <u>2,165</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered payroll | \$ 58,850 | \$ 54,080 | \$ 53,020 | \$ 51,971 |
| Contributions as a percentage of covered payroll | 4.47% | 6.05% | 3.83% | 4.17% |
| | | | | |
| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually required contribution | \$ 1,922 | \$ 2,214 | \$ 1,992 | \$ 1,999 |
| Contributions in relation to the contractually required contribution | <u>1,922</u> | <u>2,214</u> | <u>1,992</u> | <u>1,999</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| County's covered payroll | \$ 51,500 | \$ 58,916 | \$ 58,328 | \$ 57,828 |
| Contributions as a percentage of covered payroll | 3.73% | 3.76% | 3.42% | 3.46% |

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

MONTGOMERY COUNTY, NORTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.

| | |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date | December 31, 2019 |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 30 |
| Asset valuation method | Asset returns in excess of or less than the expected return on market value of assets reflected over a five-year period (not greater than 120% of market value and not less than 80% of market value) |
| Inflation rate | 3.00% |
| Salary increases | 3.50 – 7.75%, including inflation |
| Investment rate of return | 3.75%, net of pension plan investment expense, including inflation |

MONTGOMERY COUNTY, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS

| | 2021 | 2020 | 2019 |
|--------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Total OPEB liability | | | |
| Service cost | \$ 127,089 | \$ 122,791 | \$ 127,191 |
| Interest on total OPEB liability | 125,708 | 182,855 | 169,878 |
| Difference between expected and actual experience | - | (1,369,719) | (11,396) |
| Changes of assumptions and other inputs | 511,450 | 124,358 | (165,733) |
| Benefit payments | (157,035) | (179,805) | (202,424) |
| Net change in total OPEB liability | 607,212 | (1,119,520) | (82,484) |
| Total OPEB liability - beginning | 3,670,164 | 4,789,684 | 4,872,168 |
| Total OPEB liability - ending | \$ 4,277,376 | \$ 3,670,164 | \$ 4,789,684 |
| Covered payroll | \$ 3,174,299 | \$ 3,174,299 | \$ 4,040,533 |
| Total OPEB liability as a percentage of covered payroll | 134.8% | 115.6% | 118.5% |
| | 2018 | | |
| Total OPEB liability | | | |
| Service cost | \$ 138,063 | | |
| Interest on total OPEB liability | 149,803 | | |
| Difference between expected and actual experience | 8,095 | | |
| Changes of assumptions and other inputs | (296,036) | | |
| Benefit payments | (207,667) | | |
| Net change in total OPEB liability | (207,742) | | |
| Total OPEB liability - beginning | 5,079,910 | | |
| Total OPEB liability - ending | \$ 4,872,168 | | |
| Covered payroll | \$ 4,040,533 | | |
| Total OPEB liability as a percentage of covered payroll | 120.6% | | |

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

The County is not accumulating assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Emergency Telephone System Fund. Accounts for revenues from E-911 subscriber fees and wireless 911 fees and expenditures associated with the purchase and maintenance of emergency communications equipment for the enhanced 911 computer aided dispatch system.

Emergency Management Planning Grant Fund. Accounts for the restricted intergovernmental revenues from the North Carolina Department of Public Safety and the related expenditures for preparation, response, recovery, and mitigation from emergency situations and natural disasters.

Community Development Fund. Accounts for revenues and expenditures restricted for economic and physical development activities throughout the County.

Fire District Funds. The fire district funds account for the collection of restricted special fire district taxes that are returned quarterly to the volunteer fire departments on a budgeted basis. The County reports a fire district fund for the following communities:

Badin Lake
Lake Tillery
Wadeville

Representative Payee Trust Fund. Accounts for monies deposited by the Social Security Administration with the County's Department of Social Services for benefit of certain individuals.

Conservation District Fund. Accounts for the receipt and use of State matching funds to the Montgomery County Soil and Water Conservation District.

Agriculture Advisory Board Fund. Accounts for monies collected for the benefit of the local agricultural community, which is further assisted by Montgomery County Cooperative Extension.

Fine and Forfeitures Fund. 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.

Child Support Incentives Fund. Accounts for restricted revenues collected by the Department of Social Services resulting from fees paid for the adoption of children.

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

Capital Projects Funds

Golden LEAF - Aseptia Fund. Accounts for restricted funds received from the Golden LEAF Foundation to be used on projects in the County.

Schools Projects Fund. Accounts for activities related the maintenance projects performed on behalf of the Montgomery County Board of Education, the local public school district in the County.

Airport Projects Fund. Accounts for expenditures related to capital projects at the Montgomery County Airport and the related restricted funding received from the North Carolina Department of Transportation.

County Projects Fund. Accounts for revenues and expenditures related to various County-wide capital projects.

MONTGOMERY COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2021

| ASSETS | Special Revenue Funds | | | | | | |
|----------------------------------------------------------------------|--------------------------------------|-------------------------------------------|--------------------------|--------------------------------|----------------------------------|-------------------------------|----------------------------------|
| | Emergency 911 Telephone System | Emergency Management Planning Grant | Community Development | Badin Lake Fire District | Lake Tillery Fire District | Wadeville Fire District | Representative Payee Trust |
| Cash and cash equivalents | \$ 195,915 | \$ 262,818 | \$ 8,981 | \$ 5,700 | \$ 2,999 | \$ 159 | \$ 74,968 |
| Taxes receivable, net | - | - | - | 14,878 | 9,998 | 454 | - |
| Due from other governments | 20,579 | 22 | - | - | - | - | - |
| Prepays | 3,144 | 50 | - | - | - | - | - |
| Total assets | <u>\$ 219,638</u> | <u>\$ 262,890</u> | <u>\$ 8,981</u> | <u>\$ 20,578</u> | <u>\$ 12,997</u> | <u>\$ 613</u> | <u>\$ 74,968</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 55,359 | \$ 754 | \$ - | \$ 6,950 | \$ 4,027 | \$ 234 | \$ - |
| Unearned revenues | - | - | - | - | - | - | - |
| Total liabilities | <u>55,359</u> | <u>754</u> | <u>-</u> | <u>6,950</u> | <u>4,027</u> | <u>234</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable revenues - ad valorem | - | - | - | 13,408 | 8,789 | 377 | - |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,408</u> | <u>8,789</u> | <u>377</u> | <u>-</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable - prepaid items | 3,144 | 50 | - | - | - | - | - |
| Restricted: | | | | | | | |
| Stabilization by State Statute | 20,579 | - | - | - | - | - | - |
| Public safety | 140,556 | 262,086 | - | 220 | 181 | 2 | - |
| Environmental protection | - | - | - | - | - | - | - |
| Economic and physical development | - | - | 8,981 | - | - | - | - |
| Human services | - | - | - | - | - | - | 74,968 |
| Schools capital projects | - | - | - | - | - | - | - |
| County capital projects | - | - | - | - | - | - | - |
| Total fund balances | <u>164,279</u> | <u>262,136</u> | <u>8,981</u> | <u>220</u> | <u>181</u> | <u>2</u> | <u>74,968</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 219,638</u> | <u>\$ 262,890</u> | <u>\$ 8,981</u> | <u>\$ 20,578</u> | <u>\$ 12,997</u> | <u>\$ 613</u> | <u>\$ 74,968</u> |

(continued)

| Special Revenue Funds | | | | Capital Project Funds | | | | Total |
|-----------------------------------|----------------------------------|-----------------------|--------------------------|-----------------------|-------------------|------------------|---------------------|-----------------------------|
| Conservation District Board Trust | Agriculture Advisory Board Trust | Fines and Forfeitures | Child Support Incentives | Golden LEAF - Aseptia | Schools Projects | Airport Projects | County Projects | Nonmajor Governmental Funds |
| \$ 12,570 | \$ 6,062 | \$ - | \$ 250,677 | \$ 199,349 | \$ 922,781 | \$ 77,065 | \$ 5,328,203 | \$ 7,348,247 |
| - | - | - | - | - | - | - | - | 25,330 |
| - | - | - | 33 | - | 707 | 13,837 | 9,958 | 45,136 |
| - | - | - | - | - | - | - | - | 3,194 |
| <u>\$ 12,570</u> | <u>\$ 6,062</u> | <u>\$ -</u> | <u>\$ 250,710</u> | <u>\$ 199,349</u> | <u>\$ 923,488</u> | <u>\$ 90,902</u> | <u>\$ 5,338,161</u> | <u>\$ 7,421,907</u> |
| | | | | | | | | |
| \$ - | \$ - | \$ - | \$ 5,704 | \$ - | \$ 186 | \$ 7,140 | \$ 101,835 | \$ 182,189 |
| - | - | - | - | - | - | - | 61,791 | 61,791 |
| - | - | - | 5,704 | - | 186 | 7,140 | 163,626 | 243,980 |
| | | | | | | | | |
| - | - | - | - | - | - | - | - | 22,574 |
| - | - | - | - | - | - | - | - | 22,574 |
| | | | | | | | | |
| - | - | - | - | - | - | - | - | 3,194 |
| - | - | - | - | - | - | - | - | 20,579 |
| - | - | - | - | - | - | - | - | 403,045 |
| 12,570 | 6,062 | - | - | - | - | - | - | 18,632 |
| - | - | - | - | 199,349 | - | - | - | 208,330 |
| - | - | - | 245,006 | - | - | - | - | 319,974 |
| - | - | - | - | - | 923,302 | - | - | 923,302 |
| - | - | - | - | - | - | 83,762 | 5,174,535 | 5,258,297 |
| <u>12,570</u> | <u>6,062</u> | <u>-</u> | <u>245,006</u> | <u>199,349</u> | <u>923,302</u> | <u>83,762</u> | <u>5,174,535</u> | <u>7,155,353</u> |
| <u>\$ 12,570</u> | <u>\$ 6,062</u> | <u>\$ -</u> | <u>\$ 250,710</u> | <u>\$ 199,349</u> | <u>\$ 923,488</u> | <u>\$ 90,902</u> | <u>\$ 5,338,161</u> | <u>\$ 7,421,907</u> |

MONTGOMERY COUNTY, NORTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | Special Revenue Funds | | | | | | |
|--------------------------------------------------------------|----------------------------------|-------------------------------------------|--------------------------|--------------------------------|----------------------------------|-------------------------------|----------------------------------|
| | Emergency Telephone System | Emergency Management Planning Grant | Community Development | Badin Lake Fire District | Lake Tillery Fire District | Wadeville Fire District | Representative Payee Trust |
| REVENUES | | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 432,984 | \$ 232,624 | \$ 20,738 | \$ - |
| Licenses, fees, and permits | - | - | - | - | - | - | - |
| Intergovernmental revenues | 218,901 | 39,379 | - | - | - | - | 176,404 |
| Investment earnings | 78 | - | - | - | - | - | - |
| Total revenues | <u>218,979</u> | <u>39,379</u> | <u>-</u> | <u>432,984</u> | <u>232,624</u> | <u>20,738</u> | <u>176,404</u> |
| EXPENDITURES | | | | | | | |
| Public safety | 182,717 | 1,857 | - | 432,764 | 232,443 | 20,736 | - |
| Environmental protection | - | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - | - |
| Human services | - | - | - | - | - | - | 153,276 |
| Education | - | - | - | - | - | - | - |
| Total expenditures | <u>182,717</u> | <u>1,857</u> | <u>-</u> | <u>432,764</u> | <u>232,443</u> | <u>20,736</u> | <u>153,276</u> |
| Excess (deficiency) of revenues over (under) expenditures | 36,262 | 37,522 | - | 220 | 181 | 2 | 23,128 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 36,262 | 37,522 | - | 220 | 181 | 2 | 23,128 |
| FUND BALANCES, beginning of year, restated | <u>128,017</u> | <u>224,614</u> | <u>8,981</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>51,840</u> |
| FUND BALANCES, end of year | <u>\$ 164,279</u> | <u>\$ 262,136</u> | <u>\$ 8,981</u> | <u>\$ 220</u> | <u>\$ 181</u> | <u>\$ 2</u> | <u>\$ 74,968</u> |

(continued)

| Special Revenue Funds | | | | Capital Project Funds | | | | Total Nonmajor Governmental Funds |
|-----------------------------|----------------------------|-----------------------|--------------------------|-----------------------|------------------|------------------|-----------------|-----------------------------------|
| Conservation District Board | Agriculture Advisory Board | Fines and Forfeitures | Child Support Incentives | Golden LEAF - Aseptia | Schools Projects | Airport Projects | County Projects | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 686,346 |
| 10,020 | - | - | - | - | - | - | - | 10,020 |
| - | - | 195,763 | 47,552 | - | - | 89,921 | 1,126,938 | 1,894,858 |
| - | - | - | - | - | - | - | - | 78 |
| 10,020 | - | 195,763 | 47,552 | - | - | 89,921 | 1,126,938 | 2,591,302 |
| - | - | - | - | - | - | - | 1,564,513 | 2,435,030 |
| 6,979 | - | - | - | - | - | - | - | 6,979 |
| - | - | - | - | - | - | 123,865 | - | 123,865 |
| - | - | - | 56,569 | - | - | - | - | 209,845 |
| - | - | 195,763 | - | - | 909,218 | - | - | 1,104,981 |
| 6,979 | - | 195,763 | 56,569 | - | 909,218 | 123,865 | 1,564,513 | 3,880,700 |
| 3,041 | - | - | (9,017) | - | (909,218) | (33,944) | (437,575) | (1,289,398) |
| - | - | - | - | - | 607,210 | - | 2,249,000 | 2,856,210 |
| - | - | - | - | - | - | - | (59,885) | (59,885) |
| - | - | - | - | - | 607,210 | - | 2,189,115 | 2,796,325 |
| 3,041 | - | - | (9,017) | - | (302,008) | (33,944) | 1,751,540 | 1,506,927 |
| 9,529 | 6,062 | - | 254,023 | 199,349 | 1,225,310 | 117,706 | 3,422,995 | 5,648,426 |
| \$ 12,570 | \$ 6,062 | - | \$ 245,006 | \$ 199,349 | \$ 923,302 | \$ 83,762 | \$ 5,174,535 | \$ 7,155,353 |

GENERAL FUND BUDGET SCHEDULE

MONTGOMERY COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|--------------------------------------------------|----------|---------------|---------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Ad valorem taxes: | | | | |
| Current year | \$ - | \$ 20,939,949 | \$ 21,176,703 | \$ 236,754 |
| Prior year | - | 378,800 | 492,370 | 113,570 |
| Penalties, interest, and advertising, net | - | 86,700 | 160,597 | 73,897 |
| Total ad valorem taxes | - | 21,405,449 | 21,829,670 | 424,221 |
| Local option sales taxes: | | | | |
| Article 39 and 44 | - | 1,350,000 | 2,800,297 | 1,450,297 |
| Article 40 | - | 1,350,000 | 1,931,296 | 581,296 |
| Article 42 | - | 775,000 | 1,202,095 | 427,095 |
| Article 46 | - | 600,000 | 651,885 | 51,885 |
| Medicaid hold harmless payment | - | - | 245,501 | 245,501 |
| Total local option sales taxes | - | 4,075,000 | 6,831,074 | 2,756,074 |
| Other taxes: | | | | |
| Deed conveyance excise tax | - | - | 230,099 | 230,099 |
| Beer and wine license tax | - | - | 1,300 | 1,300 |
| Rental vehicle gross receipts tax | - | - | 1,009 | 1,009 |
| Total other taxes | - | - | 232,408 | 232,408 |
| Intergovernmental revenues, unrestricted: | | | | |
| Beer and wine excise taxes | - | - | 84,354 | 84,354 |
| Payments in lieu of taxes | - | 94,000 | 116,689 | 22,689 |
| Disposal taxes, scrap tires | - | 40,000 | 40,069 | 69 |
| Property tax billing and collection fees | - | 22,000 | 237 | (21,763) |
| Federal and state forfeiture funds | - | 2,000 | 1,133 | (867) |
| Video program franchise distribution | - | 15,000 | 8,499 | (6,501) |
| Disposal taxes, solid waste | - | 4,000 | 19,208 | 15,208 |
| Sheriff and jail court fees | - | 54,000 | 49,304 | (4,696) |
| Profit distribution from local ABC boards | - | 1,000 | 39,310 | 38,310 |
| Total unrestricted intergovernmental revenues | - | 232,000 | 358,803 | 126,803 |
| Intergovernmental revenues, restricted: | | | | |
| Federal and state grants | - | 5,843,296 | 5,413,566 | (429,730) |
| Lottery proceeds | - | 250,000 | 250,000 | - |
| Special loan interest subsidy | - | 66,186 | 66,327 | 141 |
| Court facilities fees | - | 42,000 | 45,790 | 3,790 |
| Share of nationwide timber receipts | - | 69,000 | 59,886 | (9,114) |
| Library contribution fees | - | 24,000 | 24,800 | 800 |
| ABC bottle tax | - | 5,000 | 8,052 | 3,052 |
| Total restricted intergovernmental revenues | - | 6,299,482 | 5,868,421 | (431,061) |
| Licenses, fees and permits: | | | | |
| Landfill revenues | - | 1,910,711 | 2,167,674 | 256,963 |
| Inmate housing fees | - | 220,000 | 150,722 | (69,278) |
| Building permit and inspection fees | - | 111,000 | 321,922 | 210,922 |
| Register of Deeds fees and permits | - | 182,500 | 133,912 | (48,588) |
| Environmental health permits | - | 40,000 | 61,265 | 21,265 |
| Civil, pistol, and concealed weapons permits | - | 78,000 | 89,082 | 11,082 |
| Library fines | - | 6,000 | 479 | (5,521) |
| Zoning permits fees | - | 10,000 | 19,675 | 9,675 |
| Animal control fees | - | 1,000 | 5,414 | 4,414 |
| Elections fees | - | 25,000 | 25,870 | 870 |
| Marriage licenses | - | - | 2,975 | 2,975 |
| Total licenses, fees and permits | - | 2,584,211 | 2,978,990 | 394,779 |

(continued)

MONTGOMERY COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|----------------------------------------------|----------|------------|------------|-------------------------------|
| | Original | Final | | |
| Revenues (Continued) | | | | |
| Sales and services: | | | | |
| Medicaid/Medicare service fees | \$ - | \$ 411,897 | \$ 408,307 | \$ (3,590) |
| Contracted revenues | - | 22,000 | 5,082 | (16,918) |
| Department of Health fees | - | 58,500 | 56,031 | (2,469) |
| Rental fees | - | 54,280 | 68,510 | 14,230 |
| Vending and phone commissions | - | 20,000 | 48,137 | 28,137 |
| Department of Social Services fees | - | 13,500 | 15,371 | 1,871 |
| Sales of aviation fuel | - | 50,000 | 39,407 | (10,593) |
| County program fees | - | 2,500 | 4,437 | 1,937 |
| Total sales and services | - | 632,677 | 645,282 | 12,605 |
| Investment earnings | - | 300,000 | 14,436 | (285,564) |
| Miscellaneous revenues: | | | | |
| Contributions/donations | - | 251,000 | 223,101 | (27,899) |
| Sales of used surplus equipment and vehicles | - | - | 280 | 280 |
| Insurance proceeds and legal settlements | - | 17,600 | 49,147 | 31,547 |
| Miscellaneous other | - | 90,200 | 138,949 | 48,749 |
| Total miscellaneous revenues | - | 358,800 | 411,477 | 52,677 |
| Total revenues | - | 35,887,619 | 39,170,561 | 3,282,942 |
| Expenditures | | | | |
| General government: | | | | |
| Commissioners | | | | |
| Salaries and employee benefits | 101,608 | 366,642 | 211,772 | 154,870 |
| Other operating expenditures | 531,915 | 710,992 | 564,846 | 146,146 |
| Capital and equipment outlays | 88,000 | 88,000 | - | 88,000 |
| Total | 721,523 | 1,165,634 | 776,618 | 389,016 |
| County administration/manager's office | | | | |
| Salaries and employee benefits | 50,321 | 243,290 | 230,358 | 12,932 |
| Other operating expenditures | 4,425 | 16,550 | 14,667 | 1,883 |
| Total | 54,746 | 259,840 | 245,025 | 14,815 |
| Finance | | | | |
| Salaries and employee benefits | 68,235 | 295,597 | 298,445 | (2,848) |
| Other operating expenditures | 3,000 | 29,000 | 6,492 | 22,508 |
| Total | 71,235 | 324,597 | 304,937 | 19,660 |
| Information technology | | | | |
| Other operating expenditures | 60,000 | 256,558 | 217,286 | 39,272 |
| Capital and equipment outlays | 85,000 | 295,250 | 280,726 | 14,524 |
| Total | 145,000 | 551,808 | 498,012 | 53,796 |
| Human resources | | | | |
| Salaries and employee benefits | 18,002 | 79,118 | 79,075 | 43 |
| Other operating expenditures | 3,750 | 6,800 | 4,094 | 2,706 |
| Total | 21,752 | 85,918 | 83,169 | 2,749 |
| Property tax administration | | | | |
| Salaries and employee benefits | 94,199 | 416,591 | 389,592 | 26,999 |
| Other operating expenditures | 16,125 | 82,000 | 73,613 | 8,387 |
| Total | 110,324 | 498,591 | 463,205 | 35,386 |

(continued)

MONTGOMERY COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|-------------------------------------------------------|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| General government (Continued): | | | | |
| Property tax revaluation | | | | |
| Salaries and employee benefits | \$ 1,593 | \$ - | \$ - | \$ - |
| Other operating expenditures | 128,407 | 99,000 | 17,798 | 81,202 |
| Total | 130,000 | 99,000 | 17,798 | 81,202 |
| Elections and Board of Elections | | | | |
| Salaries and employee benefits | 28,258 | 201,019 | 198,169 | 2,850 |
| Other operating expenditures | 24,600 | 105,437 | 71,317 | 34,120 |
| Total | 52,858 | 306,456 | 269,486 | 36,970 |
| Register of Deeds' office | | | | |
| Salaries and employee benefits | 35,775 | 160,189 | 162,150 | (1,961) |
| Other operating expenditures | 10,000 | 35,000 | 32,851 | 2,149 |
| Total | 45,775 | 195,189 | 195,001 | 188 |
| Custodial services | | | | |
| Salaries and employee benefits | 47,411 | 218,284 | 199,729 | 18,555 |
| Other operating expenditures | 7,750 | 31,000 | 19,444 | 11,556 |
| Total | 55,161 | 249,284 | 219,173 | 30,111 |
| Facilities management | | | | |
| Salaries and employee benefits | 29,373 | 131,866 | 134,168 | (2,302) |
| Other operating expenditures | 106,205 | 710,000 | 643,511 | 66,489 |
| Capital and equipment outlays | - | 329,000 | - | 329,000 |
| Total | 135,578 | 1,170,866 | 777,679 | 393,187 |
| Court facilities | | | | |
| Other operating expenditures | 5,000 | 12,000 | 5,396 | 6,604 |
| Capital and equipment outlays | - | - | - | - |
| Total | 5,000 | 12,000 | 5,396 | 6,604 |
| Property and liability insurance | | | | |
| Other operating expenditures | 8,750 | 35,000 | 21,701 | 13,299 |
| Total | 8,750 | 35,000 | 21,701 | 13,299 |
| Total general government | 1,557,702 | 4,954,183 | 3,877,200 | 1,076,983 |
| Public safety: | | | | |
| Sheriff's office (including School Resource Officers) | | | | |
| Salaries and employee benefits | 452,686 | 1,990,766 | 1,791,346 | 199,420 |
| Other operating expenditures | 78,810 | 345,100 | 202,505 | 142,595 |
| Capital and equipment outlays | 90,000 | 209,287 | 195,609 | 13,678 |
| Total | 621,496 | 2,545,153 | 2,189,460 | 355,693 |
| Jail and detention center | | | | |
| Salaries and employee benefits | 257,202 | 1,166,077 | 1,121,598 | 44,479 |
| Other operating expenditures | 115,956 | 477,189 | 394,655 | 82,534 |
| Capital and equipment outlays | - | 1,035 | 1,035 | - |
| Total | 373,158 | 1,644,301 | 1,517,288 | 127,013 |
| Animal and rabies control | | | | |
| Salaries and employee benefits | 32,323 | 165,385 | 166,161 | (776) |
| Other operating expenditures | 8,750 | 57,500 | 29,661 | 27,839 |
| Total | 41,073 | 222,885 | 195,822 | 27,063 |

(continued)

MONTGOMERY COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|----------------------------------------------|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Public safety (Continued): | | | | |
| Volunteer fire departments | | | | |
| Other operating expenditures | \$ 715,000 | \$ 715,000 | \$ 772,739 | \$ (57,739) |
| Capital and equipment outlays | 35,000 | 35,000 | 35,000 | - |
| Total | 750,000 | 750,000 | 807,739 | (57,739) |
| Building inspections | | | | |
| Salaries and employee benefits | 61,645 | 240,492 | 233,753 | 6,739 |
| Other operating expenditures | 6,875 | 27,500 | 23,595 | 3,905 |
| Total | 68,520 | 267,992 | 257,348 | 10,644 |
| Medical examiner | | | | |
| Other operating expenditures | 5,000 | 30,000 | 28,800 | 1,200 |
| Total | 5,000 | 30,000 | 28,800 | 1,200 |
| Ambulance and rescue squads | | | | |
| Employee benefits - retirement contributions | - | 3,000 | - | 3,000 |
| Third-party ambulance services | 396,388 | 1,664,829 | 1,622,799 | 42,030 |
| Other operating expenditures | 10,250 | 18,700 | 17,062 | 1,638 |
| Capital and equipment outlays | - | 42,300 | 62,377 | (20,077) |
| Total | 406,638 | 1,728,829 | 1,702,238 | 26,591 |
| Emergency management | | | | |
| Salaries and employee benefits | 18,137 | 136,452 | 134,693 | 1,759 |
| Other operating expenditures | 1,125 | 4,500 | 4,192 | 308 |
| Total | 19,262 | 140,952 | 138,885 | 2,067 |
| E911 communications | | | | |
| Salaries and employee benefits | 161,052 | 701,901 | 683,371 | 18,530 |
| Operating expenditures | 6,500 | 17,550 | 6,484 | 11,066 |
| Capital and equipment outlays | - | 8,450 | - | 8,450 |
| Total | 167,552 | 727,901 | 689,855 | 38,046 |
| Juvenile Crime Prevention Council | | | | |
| Other operating expenditures | 30,607 | 122,427 | 115,690 | 6,737 |
| Total | 30,607 | 122,427 | 115,690 | 6,737 |
| Total public safety | 2,483,306 | 8,180,440 | 7,643,125 | 537,315 |
| Transportation: | | | | |
| Airport operations | | | | |
| Salaries and employee benefits | - | 3,063 | 3,062 | 1 |
| Other operating expenditures | 7,500 | 77,137 | 51,546 | 25,591 |
| Total | 7,500 | 80,200 | 54,608 | 25,592 |
| Rural Operating Assistance Program (ROAP) | | | | |
| Other operating expenditures | 52,562 | 165,248 | 15,000 | 150,248 |
| Total | 52,562 | 165,248 | 15,000 | 150,248 |
| Total transportation | 60,062 | 245,448 | 69,608 | 175,840 |

(continued)

MONTGOMERY COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|--------------------------------------------|------------|------------|------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Human services: | | | | |
| Health administration | | | | |
| Salaries and employee benefits | \$ 346,506 | \$ 255,168 | \$ 264,723 | \$ (9,555) |
| School nurses at Montgomery County Schools | - | 100,000 | 99,866 | 134 |
| Other operating expenditures | 142,000 | 126,663 | 74,159 | 52,504 |
| Total | 488,506 | 481,831 | 438,748 | 43,083 |
| Communicable diseases | | | | |
| Salaries and employee benefits | - | 106,763 | 102,807 | 3,956 |
| Other operating expenditures | - | 45,000 | 17,147 | 27,853 |
| Total | - | 151,763 | 119,954 | 31,809 |
| Public health/emergency planning | | | | |
| Other operating expenditures | - | 31,659 | 24,343 | 7,316 |
| Total | - | 31,659 | 24,343 | 7,316 |
| Health promotions | | | | |
| Salaries and employee benefits | - | 50,143 | 49,993 | 150 |
| Total | - | 50,143 | 49,993 | 150 |
| Women, Infants & Children (WIC) | | | | |
| Salaries and employee benefits | - | 143,800 | 141,898 | 1,902 |
| Other operating expenditures | - | 33,568 | 26,312 | 7,256 |
| Capital and equipment outlays | - | 4,176 | 1,250 | 2,926 |
| Total | - | 181,544 | 169,460 | 12,084 |
| Child health | | | | |
| Salaries and employee benefits | - | 200,948 | 148,052 | 52,896 |
| Other operating expenditures | - | 23,500 | 21,873 | 1,627 |
| Total | - | 224,448 | 169,925 | 54,523 |
| Maternal health | | | | |
| Salaries and employee benefits | - | 201,136 | 180,822 | 20,314 |
| Other operating expenditures | - | 44,150 | 40,551 | 3,599 |
| Capital and equipment outlays | - | - | 2,300 | (2,300) |
| Total | - | 245,286 | 223,673 | 21,613 |
| Adult health | | | | |
| Salaries and employee benefits | - | 130,363 | 74,982 | 55,381 |
| Other operating expenditures | - | 35,100 | 27,775 | 7,325 |
| Total | - | 165,463 | 102,757 | 62,706 |
| Family planning | | | | |
| Salaries and employee benefits | - | 202,969 | 181,370 | 21,599 |
| Other operating expenditures | - | 70,996 | 68,214 | 2,782 |
| Total | - | 273,965 | 249,584 | 24,381 |
| Care Coordination for Children (CC4C) | | | | |
| Salaries and employee benefits | - | 94,897 | 97,848 | (2,951) |
| Other operating expenditures | - | 1,300 | 955 | 345 |
| Total | - | 96,197 | 98,803 | (2,606) |

(continued)

MONTGOMERY COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|-----------------------------------------------------|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Human services (Continued): | | | | |
| Pregnancy care management | | | | |
| Salaries and employee benefits | \$ - | \$ 103,756 | \$ 96,197 | \$ 7,559 |
| Other operating expenditures | - | 2,200 | 1,530 | 670 |
| Total | - | 105,956 | 97,727 | 8,229 |
| Infant health improvement | | | | |
| Other operating expenditures | - | 94,906 | 66,238 | 28,668 |
| Capital and equipment outlays | - | - | 490 | (490) |
| Total | - | 94,906 | 66,728 | 28,178 |
| COVID-19 relief | | | | |
| Other operating expenditures | - | 517,126 | 204,444 | 312,682 |
| Total | - | 517,126 | 204,444 | 312,682 |
| Social services administration and service delivery | | | | |
| Salaries and employee benefits | 747,511 | 3,202,197 | 2,844,174 | 358,023 |
| Other operating expenditures | 287,000 | 1,220,160 | 1,035,579 | 184,581 |
| Capital and equipment outlays | - | 16,500 | 49,719 | (33,219) |
| Total | 1,034,511 | 4,438,857 | 3,929,472 | 509,385 |
| Environmental health | | | | |
| Salaries and employee benefits | 37,253 | 160,335 | 160,204 | 131 |
| Other operating expenditures | 1,750 | 7,000 | 3,973 | 3,027 |
| Total | 39,003 | 167,335 | 164,177 | 3,158 |
| Mental health (Sandhills Center) allocations | | | | |
| Other operating expenditures | 15,194 | 60,775 | 60,775 | - |
| Total | 15,194 | 60,775 | 60,775 | - |
| Home Community and Care Block Grant (HCCBG) | | | | |
| Salaries and employee benefits | 4,306 | 4,306 | 39,633 | (35,327) |
| Other operating expenditures | 95,000 | 429,733 | 345,823 | 83,910 |
| Total | 99,306 | 434,039 | 385,456 | 48,583 |
| Programs for the aging | | | | |
| Salaries and employee benefits | - | 15,000 | 14,411 | 589 |
| Other operating expenditures | 8,750 | 45,000 | 44,279 | 721 |
| Total | 8,750 | 60,000 | 58,690 | 1,310 |
| Total human services | 1,685,270 | 7,781,293 | 6,614,709 | 1,166,584 |
| Education (intergovernmental): | | | | |
| Public schools | | | | |
| Current expenditures | 1,312,250 | 5,249,000 | 5,249,000 | - |
| Timber receipts from US Forest | - | 69,000 | 59,886 | 9,114 |
| Pass-thru grant for behavior consultants | - | 250,000 | 250,000 | - |
| Aid to Communities in Schools | 11,250 | 30,000 | 30,000 | - |
| Total | 1,323,500 | 5,598,000 | 5,588,886 | 9,114 |
| Montgomery Community College | | | | |
| Current expenditures | 196,000 | 794,400 | 794,400 | - |
| Total | 196,000 | 794,400 | 794,400 | - |
| Total education (intergovernmental) | 1,519,500 | 6,392,400 | 6,383,286 | 9,114 |

(continued)

MONTGOMERY COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|----------------------------------------------------|----------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Environmental protection: | | | | |
| Solid waste collection and recycling | | | | |
| Salaries and employee benefits | \$ 76,000 | \$ 280,000 | \$ 271,010 | \$ 8,990 |
| Other operating expenditures | 138,750 | 696,663 | 682,631 | 14,032 |
| Total | 214,750 | 976,663 | 953,641 | 23,022 |
| NC Forestry | | | | |
| Other operating expenditures | 30,000 | 105,000 | 105,000 | - |
| Total | 30,000 | 105,000 | 105,000 | - |
| Soil and water conservation district | | | | |
| Salaries and employee benefits | 20,838 | 92,723 | 92,838 | (115) |
| Other operating expenditures | 1,200 | 4,800 | 2,512 | 2,288 |
| Total | 22,038 | 97,523 | 95,350 | 2,173 |
| Total environmental protection | 266,788 | 1,179,186 | 1,153,991 | 25,195 |
| Economic and physical development: | | | | |
| Planning and zoning | | | | |
| Salaries and employee benefits | 18,002 | 39,823 | 35,171 | 4,652 |
| Other operating expenditures | 4,693 | 42,193 | 43,129 | (936) |
| Total | 22,695 | 82,016 | 78,300 | 3,716 |
| Economic development | | | | |
| Salaries and employee benefits | 27,090 | 111,069 | 42,943 | 68,126 |
| Other operating expenditures | 50,125 | 195,000 | 230,227 | (35,227) |
| Total | 77,215 | 306,069 | 273,170 | 32,899 |
| Cooperative (Agricultural) Extension | | | | |
| Salaries and employee benefits | 3,200 | 12,918 | 13,074 | (156) |
| Other operating expenditures | 59,250 | 245,843 | 210,967 | 34,876 |
| Total | 62,450 | 258,761 | 224,041 | 34,720 |
| Economic development grants | | | | |
| Other operating expenditures | - | 1,250,000 | 1,214,632 | 35,368 |
| Total | - | 1,250,000 | 1,214,632 | 35,368 |
| Total economic and physical development | 162,360 | 1,896,846 | 1,790,143 | 106,703 |
| Culture and recreational: | | | | |
| Library system | | | | |
| Salaries and employee benefits | 59,730 | 247,456 | 210,660 | 36,796 |
| Books and magazines | - | 35,800 | 31,812 | 3,988 |
| Other operating expenditures | 17,500 | 44,200 | 37,423 | 6,777 |
| Total | 77,230 | 327,456 | 279,895 | 47,561 |
| Recreation support | | | | |
| Contributions to area recreation groups | 19,250 | 40,000 | 10,900 | 29,100 |
| Other operating expenditures | 750 | 750 | 100 | 650 |
| Total | 20,000 | 40,750 | 11,000 | 29,750 |
| Other | | | | |
| Haltiwanger Retreat | - | 2,000 | 1,711 | 289 |
| County gym allocations | 9,000 | 24,000 | 20,060 | 3,940 |
| Total | 9,000 | 26,000 | 21,771 | 4,229 |
| Total culture and recreational | 106,230 | 394,206 | 312,666 | 81,540 |

(continued)

MONTGOMERY COUNTY, NORTH CAROLINA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|----------------------------------------|------------------|--------------------|----------------------|-------------------------------|
| | Original | Final | | |
| Expenditures (Continued) | | | | |
| Debt service: | | | | |
| Principal retirement | \$ 208,836 | \$ 1,840,569 | \$ 1,840,431 | \$ 138 |
| Interest and fiscal charges | 170,946 | 272,056 | 271,703 | 353 |
| Total debt service | <u>379,782</u> | <u>2,112,625</u> | <u>2,112,134</u> | <u>491</u> |
| Total expenditures | <u>8,221,000</u> | <u>33,136,627</u> | <u>29,956,862</u> | <u>3,179,765</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | 42,000 | 59,885 | 17,885 |
| Transfers out | (98,000) | (4,446,214) | (4,262,764) | 183,450 |
| Fund balance appropriated | 8,319,000 | 2,608,183 | - | (2,608,183) |
| Fund balance contingency | - | (954,961) | - | 954,961 |
| Total other financing sources (uses) | <u>8,221,000</u> | <u>(2,750,992)</u> | <u>(4,202,879)</u> | <u>(1,451,887)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>5,010,820</u> | <u>\$ 5,010,820</u> |
| Fund balance, beginning of year | | | <u>21,385,374</u> | |
| Fund balance, end of year | | | <u>\$ 26,396,194</u> | |

EDUCATIONAL FACILITIES FUND BUDGET SCHEDULE

MONTGOMERY COUNTY, NORTH CAROLINA
EDUCATIONAL FACILITIES FUND

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2021

| | Project Authorization | Prior Years | Actual Current Year | Total |
|---------------------------------------------|--------------------------|---------------|------------------------|---------------|
| REVENUES | | | | |
| Investment earnings | \$ 2,077,205 | \$ 1,868,210 | \$ 1,479 | \$ 1,869,689 |
| Miscellaneous | 315,862 | 65,861 | - | 65,861 |
| Total revenues | 2,393,067 | 1,934,071 | 1,479 | 1,935,550 |
| EXPENDITURES | | | | |
| Education | | | | |
| Montgomery Central High School (new) | | | | |
| Administration | 570,000 | 154,637 | - | 154,637 |
| Construction and renovation | 69,323,851 | 60,452,108 | 2,988,594 | 63,440,702 |
| Engineering, legal, and other professional | 4,819,005 | 4,889,337 | 268,960 | 5,158,297 |
| Capital and equipment outlays | 3,332,684 | 2,188,842 | 972,094 | 3,160,936 |
| Other expenses | 912,918 | 812,565 | 9,939 | 822,504 |
| Contingency | 8,760,911 | - | - | - |
| Debt service: | | | | |
| Principal retirement | 67,675,000 | - | 67,675,000 | 67,675,000 |
| Interest and fiscal charges | 4,727,148 | 4,393,236 | 906,816 | 5,300,052 |
| Issuance costs and other fees | 290,908 | 290,906 | 50,777 | 341,683 |
| Total expenditures | 160,412,425 | 73,181,631 | 72,872,180 | 146,053,811 |
| Deficiency of revenues (under) expenditures | (158,019,358) | (71,247,560) | (72,870,701) | (144,118,261) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in from General Fund | 22,666,358 | 21,162,614 | 1,406,554 | 22,569,168 |
| Proceeds from loan issuance | 67,675,000 | 69,127,742 | - | 69,127,742 |
| Proceeds from USDA loan issuance | 67,678,000 | - | 67,678,000 | 67,678,000 |
| Total other financing sources | 158,019,358 | 90,290,356 | 69,084,554 | 159,374,910 |
| Net change in fund balance | \$ - | \$ 19,042,796 | (3,786,147) | \$ 15,256,649 |
| FUND BALANCE, beginning of year | | | 19,042,796 | |
| FUND BALANCE, end of year | | | \$ 15,256,649 | |

MONTGOMERY COUNTY, NORTH CAROLINA
EMERGENCY 911 TELEPHONE SYSTEM

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Budget | | | Variance with |
|------------------------------------------------------|-------------------|-------------------|-------------------|------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Restricted intergovernmental - wireless funding | \$ - | \$ 218,901 | \$ 218,901 | \$ - |
| Investment earnings | - | - | 78 | 78 |
| Total revenues | - | 218,901 | 218,979 | 78 |
| EXPENDITURES | | | | |
| Public safety: | | | | |
| Phone and furniture expenditures | 50,000 | 171,000 | 122,030 | 48,970 |
| Software maintenance expenditures | - | 41,500 | 33,522 | 7,978 |
| Hardware maintenance expenditures | - | 29,500 | 19,756 | 9,744 |
| Training expenditures | - | 1,501 | 205 | 1,296 |
| Other expenditures | - | 15,400 | 7,204 | 8,196 |
| Total expenditures | 50,000 | 258,901 | 182,717 | 76,184 |
| Excess (deficiency) of revenues (under) expenditures | (50,000) | (40,000) | 36,262 | 76,262 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | (20,000) | - | 20,000 |
| Appropriated fund balance | 50,000 | 60,000 | - | (60,000) |
| Total other financing sources | 50,000 | 40,000 | - | (40,000) |
| Net change in fund balances | - | - | 36,262 | 36,262 |
| FUND BALANCE, beginning of year | 128,017 | 128,017 | 128,017 | - |
| FUND BALANCE, end of year | <u>\$ 128,017</u> | <u>\$ 128,017</u> | <u>\$ 164,279</u> | <u>\$ 36,262</u> |

MONTGOMERY COUNTY, NORTH CAROLINA
EMERGENCY MANAGEMENT PLANNING GRANT

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Budget | | Actual | Variance with Final Budget |
|--------------------------------------------------------------|------------|------------|------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Restricted intergovernmental | \$ - | \$ 40,000 | \$ 39,379 | \$ (621) |
| Total revenues | - | 40,000 | 39,379 | (621) |
| EXPENDITURES | | | | |
| Public safety: | | | | |
| Supplies | - | 1,000 | 971 | 29 |
| Travel expenditures | - | 1,700 | - | 1,700 |
| Postage, shipping, and delivery charges | - | 150 | 50 | 100 |
| Membership dues and subscriptions | - | 150 | 100 | 50 |
| Contracted services | - | 1,000 | 475 | 525 |
| Capital and equipment outlays | 20,000 | 36,000 | 261 | 35,739 |
| Total expenditures | 20,000 | 40,000 | 1,857 | 38,143 |
| Excess (deficiency) of revenues over (under) expenditures | (20,000) | - | 37,522 | (38,764) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Appropriated fund balance | 20,000 | - | - | - |
| Total other financing sources | 20,000 | - | - | - |
| Net change in fund balances | - | - | 37,522 | 37,522 |
| FUND BALANCE, beginning of year | 224,614 | 224,614 | 224,614 | - |
| FUND BALANCE, end of year | \$ 224,614 | \$ 224,614 | \$ 262,136 | \$ 37,522 |

**MONTGOMERY COUNTY, NORTH CAROLINA
COMMUNITY DEVELOPMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2021**

| | Project Authorization | Prior Years | Actual Current Year | Total |
|----------------------------------------|--------------------------|-----------------|------------------------|-----------------|
| REVENUES | | | | |
| Restricted intergovernmental: | | | | |
| Project URP-1224 | \$ 100,000 | \$ 91,300 | \$ - | \$ 91,300 |
| Miscellaneous | 10,617 | 10,616 | - | 10,616 |
| Total revenues | <u>110,617</u> | <u>101,916</u> | <u>-</u> | <u>101,916</u> |
| EXPENDITURES | | | | |
| Economic and physical development: | | | | |
| Administration | 18,617 | 10,800 | - | 10,800 |
| Housing rehabilitation | 92,000 | 82,135 | - | 82,135 |
| Total expenditures | <u>110,617</u> | <u>92,935</u> | <u>-</u> | <u>92,935</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 8,981</u> | <u>-</u> | <u>\$ 8,981</u> |
| FUND BALANCE, beginning of year | | | <u>8,981</u> | |
| FUND BALANCE, end of year | | | <u>\$ 8,981</u> | |

MONTGOMERY COUNTY, NORTH CAROLINA

BADIN LAKE FIRE DISTRICT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Budget | | | Variance with |
|----------------------------------------|--------------------|--------------------|----------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Ad valorem taxes: | | | | |
| Current year | \$ - | \$ 417,000 | \$ 422,746 | \$ 5,746 |
| Prior years | 5,500 | 11,000 | 7,597 | (3,403) |
| Penalties and interest | - | - | 2,641 | 2,641 |
| Total revenues | <u>5,500</u> | <u>428,000</u> | <u>432,984</u> | <u>4,984</u> |
| EXPENDITURES | | | | |
| Public safety: | | | | |
| Payments to Volunteer Fire Department | <u>5,500</u> | <u>428,000</u> | <u>432,764</u> | <u>(4,764)</u> |
| Total expenditures | <u>5,500</u> | <u>428,000</u> | <u>432,764</u> | <u>(4,764)</u> |
| Net change in fund balances | - | - | 220 | 220 |
| FUND BALANCE, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 220</u></u> | <u><u>\$ 220</u></u> |

MONTGOMERY COUNTY, NORTH CAROLINA

LAKE TILLERY FIRE DISTRICT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Budget | | | Variance with |
|----------------------------------------|--------------------|--------------------|----------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Ad valorem taxes: | | | | |
| Current year | \$ - | \$ 225,000 | \$ 227,045 | \$ 2,045 |
| Prior years | 4,000 | 7,000 | 4,132 | (2,868) |
| Penalties and interest | - | - | 1,447 | 1,447 |
| Total revenues | <u>4,000</u> | <u>232,000</u> | <u>232,624</u> | <u>624</u> |
| EXPENDITURES | | | | |
| Public safety: | | | | |
| Payments to Volunteer Fire Department | <u>4,000</u> | <u>232,000</u> | <u>232,443</u> | <u>(443)</u> |
| Total expenditures | <u>4,000</u> | <u>232,000</u> | <u>232,443</u> | <u>(443)</u> |
| Net change in fund balances | - | - | 181 | 181 |
| FUND BALANCE, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 181</u></u> | <u><u>\$ 181</u></u> |

MONTGOMERY COUNTY, NORTH CAROLINA
WADEVILLE FIRE DISTRICT FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Budget | | | Variance with |
|----------------------------------------|--------------------|--------------------|--------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Ad valorem taxes: | | | | |
| Current year | \$ - | \$ 20,000 | \$ 20,604 | \$ 604 |
| Prior Years | 1,000 | 1,000 | 100 | (900) |
| Penalties and interest | - | - | 34 | 34 |
| Total revenues | <u>1,000</u> | <u>21,000</u> | <u>20,738</u> | <u>(262)</u> |
| EXPENDITURES | | | | |
| Public safety: | | | | |
| Payments to Volunteer Fire Department | <u>1,000</u> | <u>21,000</u> | <u>20,736</u> | <u>264</u> |
| Total expenditures | <u>1,000</u> | <u>21,000</u> | <u>20,736</u> | <u>264</u> |
| Net change in fund balances | - | - | 2 | 2 |
| FUND BALANCE, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 2</u></u> | <u><u>\$ 2</u></u> |

MONTGOMERY COUNTY, NORTH CAROLINA
CHILD SUPPORT INCENTIVES FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Budget | | | Variance with |
|---------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Restricted intergovernmental | \$ - | \$ 68,400 | \$ 47,552 | \$ (20,848) |
| Total revenues | - | 68,400 | 47,552 | (20,848) |
| EXPENDITURES | | | | |
| Human services: | | | | |
| Legal fees | - | 41,500 | 37,313 | 4,187 |
| Other expenditures | 17,100 | 26,900 | 19,256 | 7,644 |
| Total expenditures | 17,100 | 68,400 | 56,569 | 11,831 |
| Deficiency of revenues (under) expenditures | (17,100) | - | (9,017) | (9,017) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Appropriated fund balance | 17,100 | - | - | - |
| Total other financing sources | 17,100 | - | - | - |
| Net change in fund balances | - | - | (9,017) | (9,017) |
| FUND BALANCE, beginning of year | 254,023 | 254,023 | 254,023 | - |
| FUND BALANCE, end of year | <u>\$ 254,023</u> | <u>\$ 254,023</u> | <u>\$ 245,006</u> | <u>\$ (9,017)</u> |

MONTGOMERY COUNTY, NORTH CAROLINA
GOLDEN LEAF - ASEPTIA FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2021**

| | Project Authorization | Prior Years | Actual Current Year | Total |
|----------------------------------------|--------------------------|-------------------|------------------------|-------------------|
| REVENUES | | | | |
| Restricted intergovernmental: | | | | |
| State of North Carolina | \$ 3,500,000 | \$ 3,499,099 | \$ - | \$ 3,499,099 |
| Miscellaneous | 92,500 | 379,777 | - | 379,777 |
| Total revenues | <u>3,592,500</u> | <u>3,878,876</u> | <u>-</u> | <u>3,878,876</u> |
| 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 | <u>3,592,500</u> | <u>3,679,527</u> | <u>-</u> | <u>3,679,527</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 199,349</u> | <u>-</u> | <u>\$ 199,349</u> |
| FUND BALANCE, beginning of year | | | <u>199,349</u> | |
| FUND BALANCE, end of year | | | <u>\$ 199,349</u> | |

MONTGOMERY COUNTY, NORTH CAROLINA
SCHOOLS PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2021

| | Project Authorization | Prior Years | Actual Current Year | Total |
|----------------------------------------------|--------------------------|---------------------|------------------------|-------------------|
| EXPENDITURES | | | | |
| Schools capital outlay: | | | | |
| MCS building repairs: | | | | |
| Construction and renovation | \$ 3,315,954 | \$ 2,322,396 | \$ 540,282 | \$ 2,862,678 |
| Engineering, legal, and other professional | 177,928 | 149,219 | - | 149,219 |
| Repairs and maintenance | 30,250 | 30,250 | 25,636 | 55,886 |
| MCC building repairs: | | | | |
| Capital and equipment outlays | 4,966 | 30,591 | 200,000 | 230,591 |
| Engineering, legal, and other professional | 2,721 | 2,721 | - | 2,721 |
| Repairs and maintenance | 1,850,291 | 686,239 | 143,300 | 829,539 |
| Other | 99,626 | 74,000 | - | 74,000 |
| Total expenditures | <u>5,481,736</u> | <u>3,295,416</u> | <u>909,218</u> | <u>4,204,634</u> |
| Deficiency of revenues under expenditures | (5,481,736) | (3,295,416) | (909,218) | (4,204,634) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in from General Fund (MCS repairs) | 3,524,132 | 2,812,902 | 443,199 | 3,256,101 |
| Transfers in from General Fund (MCC repairs) | <u>1,957,604</u> | <u>1,707,824</u> | <u>164,011</u> | <u>1,871,835</u> |
| Total other financing sources | <u>5,481,736</u> | <u>4,520,726</u> | <u>607,210</u> | <u>5,127,936</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 1,225,310</u> | <u>(302,008)</u> | <u>\$ 923,302</u> |
| FUND BALANCE, beginning of year | | | <u>1,225,310</u> | |
| FUND BALANCE, end of year | | | <u>\$ 923,302</u> | |

MONTGOMERY COUNTY, NORTH CAROLINA
AIRPORT PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2021

| | Project Authorization | Prior Years | Actual Current Year | Total |
|------------------------------------------------|--------------------------|-------------------|------------------------|------------------|
| REVENUES | | | | |
| Restricted intergovernmental: | | | | |
| Airport Block Grant - Fueling station | \$ 386,660 | \$ 320,391 | \$ - | \$ 320,391 |
| Airport Block Grant - Perimeter fence | 581,567 | 565,360 | - | 565,360 |
| Airport Block Grant - Airport layout plan | 319,785 | 186,726 | 89,921 | 276,647 |
| Airport Block Grant - Airport land acquisition | 91,872 | - | - | - |
| Total revenues | <u>1,379,884</u> | <u>1,072,477</u> | <u>89,921</u> | <u>1,162,398</u> |
| EXPENDITURES | | | | |
| Transportation: | | | | |
| Airport Block Grant - Fueling station | | | | |
| Construction | 223,070 | 198,194 | - | 198,194 |
| Capital and equipment outlays | 29,000 | 20,832 | - | 20,832 |
| Engineering, legal, and other professional | 134,590 | 105,925 | 13,940 | 119,865 |
| Airport Block Grant - Perimeter fence | | | | |
| Construction | 494,900 | 463,804 | - | 463,804 |
| Engineering, legal, and other professional | 123,332 | 101,561 | - | 101,561 |
| Airport Block Grant - Airport layout plan | | | | |
| Engineering, legal, and other professional | 319,785 | 186,726 | 97,060 | 283,786 |
| Airport Block Grant - Future project | 83,335 | - | - | - |
| Airport Block Grant - Land acquisition | | | | |
| Construction | 50,000 | - | - | - |
| Engineering, legal, and other professional | 41,872 | - | 12,865 | 12,865 |
| Total expenditures | <u>1,499,884</u> | <u>1,077,042</u> | <u>123,865</u> | <u>1,200,907</u> |
| Deficiency of revenues under expenditures | (120,000) | (4,565) | (33,944) | (38,509) |
| OTHER FINANCING SOURCES | | | | |
| 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 | <u>120,000</u> | <u>122,271</u> | <u>-</u> | <u>122,271</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 117,706</u> | <u>(33,944)</u> | <u>\$ 83,762</u> |
| FUND BALANCE, beginning of year | | | <u>117,706</u> | |
| FUND BALANCE, end of year | | | <u>\$ 83,762</u> | |

MONTGOMERY COUNTY, NORTH CAROLINA
COUNTY PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROJECT LIFE AS OF JUNE 30, 2021

| | Project Authorization | Prior Years | Actual Current Year | Total |
|----------------------------------------------|--------------------------|---------------------|------------------------|---------------------|
| REVENUES | | | | |
| Restricted intergovernmental: | | | | |
| Coronavirus Relief Funds (CRF) | \$ 1,219,486 | \$ 30,757 | \$ 1,126,938 | \$ 1,157,695 |
| State of North Carolina DHHS | 150,000 | - | - | - |
| Total revenues | <u>1,369,486</u> | <u>30,757</u> | <u>1,126,938</u> | <u>1,157,695</u> |
| EXPENDITURES | | | | |
| General government: | | | | |
| Future projects | 2,700,000 | - | - | - |
| Public safety: | | | | |
| Animal shelter replacement | | | | |
| Construction | 388,058 | 193,223 | 200,080 | 393,303 |
| Capital and equipment outlays | 12,200 | - | 7,283 | 7,283 |
| Other | 79,650 | - | 11,556 | 11,556 |
| Food pantry and community kitchen facility | | | | |
| Capital and equipment outlays | 1,123,370 | 8,181 | 839,653 | 847,834 |
| Other | 695,672 | 17,398 | 262,861 | 280,259 |
| COVID-19 pandemic response | 304,871 | - | 243,080 | 243,080 |
| Total expenditures | <u>5,303,821</u> | <u>218,802</u> | <u>1,564,513</u> | <u>1,783,315</u> |
| Deficiency of revenues under expenditures | (3,934,335) | (188,045) | (437,575) | (625,620) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in: | | | | |
| from General Fund (past projects, unspent) | - | 398,005 | - | 398,005 |
| from General Fund (animal shelter) | 329,908 | - | - | - |
| from General Fund (COVID-19 response) | 631,670 | 282,670 | 349,000 | 631,670 |
| from General Fund (upcoming projects) | 2,700,000 | 2,930,365 | 1,900,000 | 4,830,365 |
| Transfers out: | | | | |
| to General Fund (COVID-19 response) | (32,114) | - | (59,885) | (59,885) |
| Total other financing sources | <u>3,629,464</u> | <u>3,611,040</u> | <u>2,189,115</u> | <u>5,800,155</u> |
| Net change in fund balance | <u>\$ (304,871)</u> | <u>\$ 3,422,995</u> | <u>1,751,540</u> | <u>\$ 5,174,535</u> |
| FUND BALANCE, beginning of year | | | <u>3,422,995</u> | |
| FUND BALANCE, end of year | | | <u>\$ 5,174,535</u> | |

PROPRIETARY FUNDS

MONTGOMERY COUNTY, NORTH CAROLINA

PUBLIC UTILITIES OPERATIONS FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Budget | | | Variance with |
|---------------------------------------------------------------------------|-----------------|------------------|---------------------|----------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Charges for services | \$ - | \$ 3,943,089 | \$ 4,416,298 | \$ 473,209 |
| Other operating | - | 61,500 | 65,516 | 4,016 |
| Investment earnings | - | 35,000 | 2,397 | (32,603) |
| Total revenues | <u>-</u> | <u>4,039,589</u> | <u>4,484,211</u> | <u>444,622</u> |
| EXPENDITURES | | | | |
| Administration and operations: | | | | |
| Salaries and employee benefits | 190,049 | 681,439 | 640,508 | 40,931 |
| Various professional services | 17,488 | 281,300 | 296,624 | (15,324) |
| Supplies and materials | 104,063 | 580,250 | 544,692 | 35,558 |
| Automotive fuels and supplies | 6,250 | 24,000 | 25,015 | (1,015) |
| Penalties and fines | - | 100 | 58 | 42 |
| Postage, shipping, delivery costs | 10,625 | 42,500 | 43,919 | (1,419) |
| Utilities | 68,750 | 275,000 | 307,295 | (32,295) |
| Repairs and maintenance | 52,250 | 285,480 | 299,692 | (14,212) |
| Rental/lease expenditures | 8,653 | 27,050 | 26,205 | 845 |
| Contracted services | 77,450 | 129,300 | 136,451 | (7,151) |
| Landfill charges and sludge removal | 3,875 | 15,500 | 16,014 | (514) |
| Furniture, equipment and tools | 165,000 | 63,000 | 39,286 | 23,714 |
| Sewer processing charges | 14,813 | 59,250 | 73,508 | (14,258) |
| Other | 8,369 | 40,350 | 42,479 | (2,129) |
| Debt service: | | | | |
| Principal | 0 | 723,503 | 723,503 | - |
| Interest and fiscal charges | 0 | 208,722 | 208,720 | 2 |
| Capital outlays | - | 24,000 | 45,604 | (21,604) |
| Total expenditures | <u>727,635</u> | <u>3,460,744</u> | <u>3,469,573</u> | <u>(8,829)</u> |
| Excess (deficiency) of revenues over (under) expenditures | (727,635) | 578,845 | 1,014,638 | 435,793 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | (837,345) | 8,577 | 845,922 |
| Appropriated fund balance | 727,635 | 258,500 | - | (258,500) |
| Total other financing sources (uses) | <u>727,635</u> | <u>(578,845)</u> | <u>8,577</u> | <u>587,422</u> |
| Net change in net position | <u>\$ -</u> | <u>\$ -</u> | 1,023,215 | <u>\$ 1,023,215</u> |
| Adjustments to full accrual: | | | | |
| Payments of debt service - principal | | | 723,503 | |
| Change in compensated absences | | | (504) | |
| Change in net pension liability and related deferred outflows and inflows | | | 9,495 | |
| Change in accrued interest | | | (1,969) | |
| Depreciation expense | | | (1,173,048) | |
| Purchases of capital assets | | | 28,185 | |
| Water Projects Fund - change in net position | | | 1,146,268 | |
| Change in net position - GAAP Basis | | | <u>\$ 1,755,145</u> | |

MONTGOMERY COUNTY, NORTH CAROLINA
WATER PROJECTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Project Authorization | Prior Years | Actual Current Year | Totals |
|---------------------------------------------|--------------------------|-------------|------------------------|--------------|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| NC Department of Environmental Quality | \$ 2,068,650 | \$ 690,417 | \$ 1,046,811 | \$ 1,737,228 |
| NC Department of Transportation | 102,000 | 52,000 | 83,686 | 135,686 |
| FEMA Disaster Relief | - | | 7,194 | |
| Charges for services | - | 246,577 | - | 246,577 |
| Total revenues | 2,170,650 | 988,994 | 1,137,691 | 2,119,491 |
| EXPENDITURES | | | | |
| Environmental protection: | | | | |
| Correll Road hydraulic improvements | | | | |
| Capital outlays for property and equipment | 23,000 | 7,398 | - | 7,398 |
| Construction | 194,950 | 207,355 | - | 207,355 |
| Engineering and other professional services | 62,050 | 50,800 | - | 50,800 |
| Biscoe meter vault | | | | |
| Construction | 108,200 | 105,741 | - | 105,741 |
| Engineering and other professional services | 10,800 | 12,200 | - | 12,200 |
| Asset inventory and assessment | | | | |
| Administration and legal | - | 4,250 | - | 4,250 |
| Capital outlays for property and equipment | 33,000 | 6,000 | - | 6,000 |
| Engineering and other professional services | 294,300 | 257,301 | - | 257,301 |
| Other | 22,700 | - | - | - |
| Chemical feed rehab | | | | |
| Administration and legal | - | 9,434 | - | 9,434 |
| Construction | 371,000 | - | - | - |
| Engineering and other professional services | 97,000 | 63,317 | - | 63,317 |
| Other | 132,000 | 1,988 | 66,798 | 68,786 |
| Booster pump stations 1 & 2 rehab | | | | |
| Administration and legal | - | 5,000 | 63,000 | 68,000 |
| Capital outlays for property and equipment | 35,000 | 4,949 | - | 4,949 |
| Construction | 1,461,600 | - | 1,004,279 | 1,004,279 |
| Engineering and other professional services | 412,400 | 240,680 | 9,738 | 250,418 |
| Other | 191,000 | 1,230 | 8,605 | 9,835 |
| Fairway Shores | | | | |
| Administration and legal | 95,700 | 64,713 | 20,724 | 85,437 |
| Capital outlays for property and equipment | - | 5,012 | - | 5,012 |
| Construction | 1,063,200 | 876,792 | 33,058 | 909,850 |
| Engineering and other professional services | 123,500 | 159,759 | 38,107 | 197,866 |
| Other | 242,600 | - | - | - |
| Livingston Point improvements | | | | |
| Construction | 232,000 | 25,413 | - | 25,413 |
| Engineering and other professional services | 44,400 | 16,300 | - | 16,300 |
| Other | 23,600 | 1,116 | - | 1,116 |
| Subtotal | 5,274,000 | 2,126,748 | 1,244,309 | 3,371,057 |

continued

MONTGOMERY COUNTY, NORTH CAROLINA
WATER PROJECTS FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2021**

| | Project Authorization | Prior Years | Actual Current Year | Totals |
|---------------------------------------------|--------------------------|-------------------|------------------------|-------------------|
| EXPENDITURES (Continued) | | | | |
| Environmental protection (Continued): | | | | |
| Sewer consolidation study | | | | |
| Administration and legal | \$ 6,500 | \$ 1,500 | \$ - | \$ 1,500 |
| Engineering and other professional services | 93,750 | 49,500 | - | 49,500 |
| Raw water pump station | | | | |
| Administration and legal | 56,300 | - | - | - |
| Construction | 1,314,300 | - | - | - |
| Engineering and other professional services | 194,000 | 134,235 | 649,095 | 783,330 |
| Other | 185,400 | - | - | - |
| Waterline relocation and betterment | | | | |
| Construction | 59,025 | - | - | - |
| Engineering and other professional services | 102,000 | 52,000 | 99,985 | 151,985 |
| Other | 13,975 | - | - | - |
| Total expenditures | <u>7,299,250</u> | <u>2,363,983</u> | <u>1,993,389</u> | <u>4,357,372</u> |
| Deficiency of revenues under expenditures | (5,128,600) | (1,374,989) | (855,698) | (2,237,881) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in from Public Utilities Fund | 2,060,900 | 1,348,232 | 8,577 | 1,356,809 |
| Issuance of State revolving loans | <u>3,067,700</u> | <u>434,384</u> | <u>573,003</u> | <u>1,007,387</u> |
| Total other financing sources | <u>5,128,600</u> | <u>1,782,616</u> | <u>581,580</u> | <u>2,364,196</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 407,627</u> | (274,118) | <u>\$ 126,315</u> |
| Adjustments to full accrual: | | | | |
| Issuance of State revolving loans | | | (573,003) | |
| Purchase of capital assets | | | 1,993,389 | |
| Change in net position - GAAP Basis | | | <u>\$ 1,146,268</u> | |

CUSTODIAL FUNDS

MONTGOMERY COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUNDS JUNE 30, 2021

| | Property Tax Custodial Fund | Inmate Trust Custodial Fund | Total Custodial Funds |
|-------------------------------------|--------------------------------|-----------------------------------|-----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 49,241 | \$ 41,755 | \$ 90,996 |
| Taxes receivable | 351,746 | - | 351,746 |
| Total assets | <u>\$ 400,987</u> | <u>\$ 41,755</u> | <u>\$ 442,742</u> |
| LIABILITIES AND NET POSITION | | | |
| Liabilities | | | |
| Due to others | \$ 49,241 | \$ - | \$ 49,241 |
| Uncollected taxes | 351,746 | - | 351,746 |
| Total liabilities | <u>400,987</u> | <u>-</u> | <u>400,987</u> |
| Net position | | | |
| Restricted for inmate accounts | - | 41,755 | 41,755 |
| Total net position | <u>\$ -</u> | <u>\$ 41,755</u> | <u>\$ 41,755</u> |

MONTGOMERY COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION CUSTODIAL FUNDS FOR THE YEAR ENDED JUNE 30, 2021

| | Property Tax Custodial Fund | Inmate Trust Custodial Fund | Total Custodial Funds |
|--------------------------------------------------|--------------------------------|-----------------------------------|-----------------------------|
| ADDITIONS | | | |
| Tax collections | \$ 2,389,357 | \$ - | \$ 2,389,357 |
| Inmate trust deposits | - | 30,205 | 30,205 |
| Total additions | <u>2,389,357</u> | <u>30,205</u> | <u>2,419,562</u> |
| DEDUCTIONS | | | |
| Remittances to other governments | 2,389,357 | - | 2,389,357 |
| Withdrawals from inmate accounts | - | 9,318 | 9,318 |
| Total deductions | <u>2,389,357</u> | <u>9,318</u> | <u>2,398,675</u> |
| Change in net position | - | 20,887 | 20,887 |
| NET POSITION, beginning of year, restated | <u>-</u> | <u>20,868</u> | <u>20,868</u> |
| NET POSITION, end of year | <u><u>\$ -</u></u> | <u><u>\$ 41,755</u></u> | <u><u>\$ 41,755</u></u> |

MONTGOMERY COUNTY TOURISM DEVELOPMENT AUTHORITY
(Component Unit)

MONTGOMERY COUNTY, NORTH CAROLINA
BALANCE SHEET
COMPONENT UNIT - TOURISM DEVELOPMENT AUTHORITY
JUNE 30, 2021

ASSETS

| | |
|----------------------------------------|--------------------------|
| Cash and cash equivalents | \$ 244,226 |
| Accounts receivable, net of allowances | <u>1,480</u> |
| Total assets | <u><u>\$ 245,706</u></u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | |
|-------------------|------------|
| Accounts payable | \$ 299 |
| Total liabilities | <u>299</u> |

FUND BALANCE

| | |
|------------------------------------|--------------------------|
| Unassigned | <u>245,407</u> |
| Total fund balance | <u>245,407</u> |
| Total liabilities and fund balance | <u><u>\$ 245,706</u></u> |

MONTGOMERY COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE

COMPONENT UNIT - TOURISM DEVELOPMENT AUTHORITY

FOR THE YEAR ENDED JUNE 30, 2021

REVENUES

| | |
|-----------------|----------------|
| Taxes | |
| Occupancy taxes | \$ 113,148 |
| | |
| Total revenues | <u>113,148</u> |

EXPENDITURES

| | |
|-----------------------------------|---------------|
| Economic and physical development | |
| Marketing | 19,509 |
| Management services | 21,388 |
| Office supplies | <u>353</u> |
| | |
| Total expenditures | <u>41,250</u> |

| | |
|------------------------|--------|
| Change in fund balance | 71,898 |
|------------------------|--------|

| | |
|----------------------------------------|----------------|
| FUND BALANCE, beginning of year | <u>173,509</u> |
|----------------------------------------|----------------|

| | |
|----------------------------------|--------------------------|
| FUND BALANCE, end of year | <u><u>\$ 245,407</u></u> |
|----------------------------------|--------------------------|

PROPERTY TAX SCHEDULES

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE JUNE 30, 2021

| Fiscal Year | Uncollected Balance June 30, 2020 | Additions | Collections and Credits | Uncollected Balance June 30, 2021 |
|--------------------------------------------------------------|-----------------------------------------|----------------------|----------------------------|-----------------------------------------|
| 2020-2021 | \$ - | \$ 21,695,089 | \$ 21,019,582 | \$ 675,507 |
| 2019-2020 | 572,869 | - | 293,021 | 279,848 |
| 2018-2019 | 284,581 | - | 90,706 | 193,875 |
| 2017-2018 | 182,703 | - | 44,334 | 138,369 |
| 2016-2017 | 125,472 | - | 25,949 | 99,523 |
| 2015-2016 | 95,224 | - | 13,283 | 81,941 |
| 2014-2015 | 69,837 | - | 7,600 | 62,237 |
| 2013-2014 | 82,094 | - | 4,815 | 77,279 |
| 2012-2013 | 84,086 | - | 1,894 | 82,192 |
| 2011-2012 | 85,202 | - | 3,289 | 81,913 |
| Older | 69,354 | - | 3,564 | 65,790 |
| | <u>\$ 1,651,422</u> | <u>\$ 21,695,089</u> | <u>\$ 21,508,037</u> | <u>1,838,474</u> |
| Less: allowance for uncollectible accounts - General Fund | | | | <u>(747,926)</u> |
| Ad valorem taxes receivable - net | | | | <u>\$ 1,090,548</u> |
| <u>Reconciliation to revenues:</u> | | | | |
| Ad valorem taxes - General Fund | | | | \$ 21,829,670 |
| Reconciling items: | | | | |
| Interest and penalties | | | | (160,597) |
| Amounts written off for tax years per Statute of limitations | | | | 3,564 |
| Miscellaneous other adjustments | | | | (164,600) |
| Total collections and credits | | | | <u>\$ 21,508,037</u> |

MONTGOMERY COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY COUNTY-WIDE LEVY JUNE 30, 2021

| | | | | Total Levy | |
|------------------------------------|-------------------------------|-------|----------------------------|----------------------------------------------------------|---------------------------------|
| | County-wide | | | Property excluding Registered Motor Vehicles | Registered Motor Vehicles |
| | Property Valuation | Rate | Total Levy | | |
| Original levy: | | | | | |
| Property taxed at current rate | \$3,528,497,398 | 0.615 | \$21,700,259 | \$19,948,856 | \$1,751,403 |
| Penalties | - | | 16,171 | 16,171 | - |
| Total | <u>3,528,497,398</u> | | <u>21,716,430</u> | <u>19,965,027</u> | <u>1,751,403</u> |
| Discoveries | <u>1,353,821</u> | 0.615 | <u>8,326</u> | <u>8,326</u> | <u>-</u> |
| Releases | <u>(4,823,902)</u> | 0.615 | <u>(29,667)</u> | <u>(29,667)</u> | <u>-</u> |
| Total property valuation | <u><u>\$3,525,027,317</u></u> | | | | |
| Net levy | | | 21,695,089 | 19,943,686 | 1,751,403 |
| Uncollected taxes at June 30, 2021 | | | <u>(675,507)</u> | <u>(675,507)</u> | <u>-</u> |
| Current year's taxes collected | | | <u><u>\$21,019,582</u></u> | <u><u>\$19,268,179</u></u> | <u><u>\$1,751,403</u></u> |
| Current levy collection percentage | | | <u><u>96.89%</u></u> | <u><u>96.61%</u></u> | <u><u>100.00%</u></u> |

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S 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 Commissioners
Montgomery County, North Carolina
Troy, 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 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** (the "County") as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 13, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, which we consider to be a material weakness.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the County'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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Montgomery County, North Carolina's Response to the Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County'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.



Columbia, South Carolina
January 13, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of Commissioners
Montgomery County, North Carolina
Troy, North Carolina

Report on Compliance for Each Major Federal Program

We have audited **Montgomery County, North Carolina's** (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County'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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County 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, 2021.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. 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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
January 13, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

**To the Board of Commissioners
Montgomery County, North Carolina
Troy, North Carolina**

Report on Compliance for Each Major State Program

We have audited **Montgomery County, North Carolina's** (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2021. The County's major state programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major State Program

In our opinion, the County 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, 2021.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County'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 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
January 13, 2022

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Agency or Pass- through Grantor Number | Expenditures | | Payments |
|-----------------------------------------------------------------------------|---------------------------|----------------------------------------------|--------------|---------|-------------------------|
| | | | Federal | State | To Subrecipients All |
| FEDERAL AWARDS | | | | | |
| U.S. Department of Agriculture: | | | | | |
| Direct Program: | | | | | |
| Secure Rural Schools - National Timber Receipts | 10.665 | | \$ 59,886 | \$ - | \$ 59,886 |
| USDA Community Facilities Loan and Grant Program | 10.766 | | 67,678,000 | - | - |
| Passed through North Carolina Department of Health and Human Services: | | | | | |
| Special Supplemental Nutrition Program for Women, Infants, & Children (WIC) | 10.557 | | 177,937 | - | - |
| Supplemental Nutrition Assistance Program: | | | | | |
| SNAP Administration | 10.561 | 404, 417 | 266,519 | - | - |
| SNAP Fraud Administration | 10.561 | 405 | 20,136 | - | - |
| Food Stamps Program Integrity | 10.561 | 455 | 10,263 | - | - |
| Supplemental Nutrition Assistance Program Cluster: | | | 296,918 | - | - |
| Total U.S. Department of Agriculture | | | 68,212,741 | - | 59,886 |
| U.S. Department of Health and Human Services | | | | | |
| Passed through NC Department of Health and Human Services | | | | | |
| Temporary Assistance for Needy Families: | | | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | | 115,130 | - | - |
| TANF - Public Health Services | 93.558 | 5151 | 4,360 | - | - |
| TANF - Work First Administration | 93.558 | 046, 048 | 39,531 | - | - |
| TANF - Work First Service | 93.558 | 047, 049 | 162,238 | - | - |
| Total Temporary Assistance for Needy Families Cluster | | | 321,259 | - | - |
| Foster Care Program: | | | | | |
| IV-E CPS | 93.658 | 072, 074 | 24,134 | 10,751 | - |
| IV-E Foster Care Trn | 93.658 | 96, 97 | 67,206 | - | - |
| IV-E Admin County Paid | 93.658 | | 18,449 | 9,224 | - |
| IV-E Foster Care | 93.658 | | 99,533 | 18,981 | - |
| Foster Care, Caseworker | | 109 | 19,375 | - | - |
| State Foster Home and Families Maximization | | | - | 13,084 | - |
| Total Foster Care | | | 228,697 | 52,040 | - |
| Adoption Program: | | | | | |
| IV-E Adoption Subsidy | 93.659 | | 93,480 | 15,201 | - |
| IV-E Adoption Training | 93.659 | | 312 | - | - |
| SP Children Adopt Promotion | | | - | 37,139 | - |
| Child Welfare Services Adoption Subsidy | | | - | 26,622 | - |
| State Child Welfare/CPS/Caseload | | | - | 72,494 | - |
| APS/CPS Care COVID 19 | | | - | 24,527 | - |
| State-County/ Special Assistance Domiciliary | | | - | 185,514 | - |
| SAA/SAD HB 1043/1105 | | | - | 90,597 | - |
| CARE Payments | | | - | 9,200 | - |
| Total Adoption | | | 93,792 | 461,294 | - |
| Medicaid: | | | | | |
| Adult Care Home Case Management | 93.778 | 211, 213, 396 | 7,098 | 3,549 | - |
| State County Special Assistance | 93.778 | 128, 131, 151 | 25,384 | - | - |
| Medical Assistance - Administration | 93.778 | 412, 422, 441 | 593,029 | - | - |
| Medical Transportation Admin | 93.778 | 375 | 25,066 | - | - |
| MAC | 93.778 | 477 | 1,867 | - | - |
| Medicaid Program Integrity | 93.778 | | 3,307 | - | - |
| Total Medicaid Cluster | | | 655,751 | 3,549 | - |
| Aging: | | | | | |
| Special Programs for the Aging - In Home Services | 93.044 | | 16,432 | 56,834 | - |
| III-B Grants for Supportive Services | 93.044 | | 9,098 | 23,869 | 32,967 |
| Congregate Nutrition | 93.045 | | 8,986 | - | - |
| Home Delivered Nutrition | 93.045 | | 131,970 | 61,240 | - |
| Family Caregiver Support Program | 93.052 | | 15,104 | 841 | - |
| NSIP Supplement | 93.053 | | 24,379 | - | - |
| Total Aging Cluster | | | 205,969 | 142,784 | 32,967 |

(Continued)

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Agency or Pass- through Grantor Number | Expenditures | | Payments |
|-----------------------------------------------------------------------------|---------------------------|----------------------------------------------|--------------|---------|-------------------------|
| | | | Federal | State | To Subrecipients All |
| FEDERAL AWARDS (Continued) | | | | | |
| U.S. Department of Health and Human Services (Continued) | | | | | |
| Public Health Emergency Preparedness | 93.069 | | \$ 25,681 | \$ - | \$ - |
| Public Health Emergency Response (COVID-19) | 93.354 | | 94,495 | - | - |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | | 30,031 | - | - |
| Epidemiology & Laboratory Capacity for Infectious Diseases | 93.323 | | 180,063 | - | - |
| Immunization Program/Aid to County Funding | 93.268 | | 46,513 | - | - |
| Maternal and Child Health Federal Consolidated | 93.110 | | 7,500 | - | - |
| Refugee Assistance Administration | 93.566 | | 9 | - | - |
| Maternal and Child Health Services Block Grant | 93.994 | | 74,717 | 27,310 | - |
| Family Planning | 93.217 | | 34,059 | - | - |
| Statewide Health Promotion Program | 93.991 | | 30,607 | - | - |
| Passed through North Carolina Department of Health and Human Services | | | | | |
| Social Services Block Grant: | | | | | |
| Social Services Block Grant | 93.667 | | 111,063 | - | - |
| Social Services Block Grant - In Home Services | 93.667 | | 2,348 | 11,006 | 13,354 |
| Social Services Block Grant - Adult Protective Services | 93.667 | | 6,602 | - | - |
| Total Social Services Block Grant | | | 120,013 | 11,006 | 13,354 |
| Family Preservation | 93.556 | | 2,086 | - | - |
| Low-income Home Energy Assistance Program: | | | | | |
| Crisis Intervention Payments | 93.568 | | 105,363 | - | - |
| Low-income Energy Administration | 93.568 | | 15,192 | - | - |
| Low-income Energy Assistance | 93.568 | | 144,481 | 4,514 | - |
| Low-income Energy COVID 19 | | | 67,869 | - | - |
| Total Low-income Home Energy Assistance Grant | | | 332,905 | 4,514 | - |
| Child Care and Development Fund - Administration | 93.596 | | 75,173 | - | - |
| Permanency Planning - Service & Admin | 93.645 | | 1,736 | - | - |
| Child Support Enforcement Program: | | | | | |
| IV-D Administration | 93.563 | | 326,598 | - | - |
| IV-D Offset Fees - Esc | 93.563 | | 4 | - | - |
| IV-D Offset Fees - Federal | 93.563 | | 1,907 | 186 | - |
| Total Child Support Enforcement Grant | | | 328,509 | 186 | - |
| AFDC Incentives/Program Integrity | | 267 | - | 353 | - |
| NC Health Choice | 93.767 | | 19,855 | 140 | - |
| Total U.S. Department of Health and Human Services | | | 2,909,420 | 703,176 | 46,321 |
| U.S. Department of Homeland Security | | | | | |
| Passed through NC Department of Public Safety | | | | | |
| Emergency Management Program | 83.552 | | 39,378 | - | - |
| Total U.S. Department of Homeland Security | | | 39,378 | - | - |
| U.S. Environmental Protection Agency | | | | | |
| Passed through NC Department of Environmental Quality | | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | | 594,507 | - | - |
| Total U.S. Environmental Protection Agency | | | 594,507 | - | - |
| U.S. Department of Treasury | | | | | |
| Passed through NC Pandemic Recovery Office | | | | | |
| COVID-19 Coronavirus Relief Funds | 21.019 | | 1,126,938 | - | 243,080 |
| Total U.S. Department of Treasury | | | 1,126,938 | - | 243,080 |
| TOTAL FEDERAL AWARDS | | | 72,882,984 | 703,176 | 349,287 |

(Continued)

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Agency or Pass- through Grantor Number | Expenditures | | Payments |
|------------------------------------------------------------------------|---------------------------|----------------------------------------------|--------------|----------|-------------------------|
| | | | Federal | State | To Subrecipients All |
| STATE AWARDS | | | | | |
| North Carolina Department of Health and Human Services: | | | | | |
| Division of Public Health: | | | | | |
| Food and Lodging Fees | | 1153-4752-SZ62 | \$ - | \$ 5,007 | \$ - |
| General Aid to Counties | | 1161-4110-0062 | - | 78,177 | - |
| General Communicable Disease Control | | 1175-4510-0062 | - | 11,139 | - |
| Healthy Community Activities | | 13A1-5503-FR62 | - | 3,747 | - |
| Sexually Transmitted Diseases - Drugs | | 1311-4601-BN62 | - | 440 | - |
| Pregnancy Care Management | | | - | 13,267 | - |
| CLAS Standards Advancing Health Equity | | | - | 3,000 | - |
| Child Health | | 1271-5745-0062 | - | 6,263 | - |
| HIV/STD State | | 1311-4536-BN62 | - | 200 | - |
| School Nurse Funding Initiative | | 1332-5358-0062 | - | 99,866 | - |
| Family Planning - State | | 13A1-5735-0062 | - | 5,760 | - |
| Maternal Health | | 13A1-5740-0062 | - | 36,425 | - |
| Women's Health Service Fund | | 13A1-6015-FR62 | - | 6,251 | - |
| TB Control | | 1460-4551-0062 | - | 6,329 | - |
| Total Division of Public Health | | | - | 275,871 | - |
| Office of Rural Health | | | | | |
| Community Health-Primary Care Access Program | | | - | 15,000 | - |
| Total Office of Rural Health | | | - | 15,000 | - |
| Total North Carolina Department of Health and Human Services | | | - | 290,871 | - |
| North Carolina Department of Environmental Quality | | | | | |
| Connect NC Bond - Booster Pump Stations Rehab (Loan Funding) | | H-SRP-D-17-0084 | - | 252,263 | - |
| Connect NC Bond - Booster Pump Stations Rehab (Grant Funding) | | H-SRP-D-17-0084 | - | 307,644 | - |
| Connect NC Bond - Fairway Shores (Loan Funding) | | H-SRP-D-17-0083 | - | 45,205 | - |
| Connect NC Bond - Fairway Shores (Grant Funding) | | H-SRP-D-17-0083 | - | 45,205 | - |
| Infrastructure Grant - Consolidation Study w/ Candor | | E-MRF-W-18-0016 | - | 6,838 | - |
| Funds for Soil and Water Conservation District | | | - | 21,380 | - |
| Scrap Tire Disposal | | | - | 40,069 | - |
| Solid Waste Disposal Tax Share | | | - | 19,208 | - |
| Total North Carolina Department of Environmental and Natural Resources | | | - | 737,812 | - |
| North Carolina 911 Board | | | | | |
| State E911 Charges Distributed | | | - | 218,901 | - |
| Total North Carolina Department of Cultural Resources | | | - | 218,901 | - |
| North Carolina Department of Public Safety | | | | | |
| Juvenile Crime Prevention Council | | | - | 122,427 | 122,427 |
| Total North Carolina Department of Public Safety | | | - | 122,427 | 122,427 |
| North Carolina Department of Transportation | | | | | |
| State Aid to Airports | | 36237.2.12.2 | - | 89,921 | - |
| Transportation Improvement Program | | | - | 83,686 | - |
| Total North Carolina Department of Transportation | | | - | 173,607 | - |
| North Carolina Office of State Controller | | | | | |
| Controlled Substances Tax | | | - | 1,133 | - |
| Total North Carolina Office of State Budget and Management | | | - | 1,133 | - |
| North Carolina Department of Administration | | | | | |
| Veteran Services | | | - | 2,084 | - |
| Total North Carolina Department of Corrections | | | - | 2,084 | - |

(Continued)

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2021

| Grantor/Pass-through Grantor/Program Title | Federal CFDA Number | Agency or Pass- through Grantor Number | Expenditures | | Payments |
|-------------------------------------------------------|---------------------------|----------------------------------------------|---------------|--------------|-------------------------|
| | | | Federal | State | To Subrecipients All |
| STATE AWARDS (Continued) | | | | | |
| North Carolina Department of Insurance | | | | | |
| Rescue Grant | | | \$ - | \$ 23,801 | \$ - |
| Total North Carolina Department of Insurance | | | - | 23,801 | - |
| | | | | | |
| North Carolina Department of Commerce | | | | | |
| One North Carolina Fund Program - Carolina Structural | | | - | 500,000 | 500,000 |
| Total North Carolina Department of Commerce | | | - | 500,000 | 500,000 |
| | | | | | |
| North Carolina Public Instruction | | | | | |
| Public School Building Capital Fund - Lottery Funds | | | - | 250,000 | |
| Total North Carolina Housing Finance Agency | | | - | 250,000 | - |
| TOTAL STATE AWARDS | | | - | 2,320,636 | 622,427 |
| TOTAL FEDERAL AND STATE AWARDS | | | \$ 72,882,984 | \$ 3,023,812 | \$ 971,714 |

MONTGOMERY COUNTY, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the "SEFSA") includes the federal and state award activity of Montgomery County, North Carolina (the "County") under programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Implementation Act*. Because the SEFSA presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The County did not utilize the 10% de Minimis indirect cost rate permitted by the Uniform Guidance.

NOTE 4. BALANCES OF FEDERALLY FUNDED LOANS

As of June 30, 2021, the County has federally funded loans outstanding as follows:

(1) United States Department of Agriculture – \$67,678,000

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? ☒ yes ☐ no

Significant deficiencies identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weaknesses identified? ☐ yes ☒ no

Significant deficiencies identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance of major federal programs: Unmodified

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

Identification of major programs:

CFDA Number(s)

93.778

21.019

10.766

Name of Federal Program or Cluster

Medicaid Cluster

COVID-19 Coronavirus Relief Funds

Community Facilities Loans & Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION I SUMMARY OF AUDITOR'S RESULTS (Continued)

State Awards

Internal control over major state programs:

Material weaknesses identified? _____ yes X no

Significant deficiencies identified? _____ yes X none reported

Type of auditor's report issued on compliance of 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 program:

Program Name

Connect NC Bond Program (Loans and Grants)

Foster Care and Adoption Programs

One North Carolina Fund Program

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2021-001 Revenue Recognition and Maintenance of Related Balance Sheet Accounts

Criteria: Internal controls should be in place to ensure that financial statements properly report the revenues of the County for the fiscal period covered by the report and that the related balance sheet accounts are properly stated as of the point in time the financial statements are prepared, in accordance with generally accepted accounting principles (GAAP).

Condition: The County's financial closeout process for the fiscal year and the related internal controls were not sufficient to prevent, or detect and correct, errors in the reporting of revenues and the related balance sheet accounts as of and for the fiscal year ended June 30, 2021.

Context/Cause: During our audit for the year ended June 30, 2021, we identified material misstatements in the reporting of the County's revenues for the fiscal year then ended. As a result of these misstatements, audit adjustments were required to report the County's revenues and the related balance sheet accounts in accordance with GAAP. The nature and magnitude of these adjustments are as follows:

- In the Public Utilities Fund, the County improperly reported loan proceeds from the North Carolina Department of Environmental Quality related to transactions that had already been accounted for in previous years and for which a receivable had already been established for these loan draws. Instead of properly reducing the receivable balance that was already on the books, the County reported loan proceeds from these draws again and as a result, an audit adjustment of approximately \$245,000 was required to remove the loan proceeds from the current year and properly reduce the accounts receivable balance.
- In the County Capital Projects Fund (a nonmajor governmental fund), the County improperly recognized as revenue the full amount of its Coronavirus Relief Funds (CRF) for the fiscal year ended June 30, 2021, when approximately \$62,000 of these funds remained unspent at year-end. Because the CRF funds were granted with eligibility requirements, including the incurrence of eligible expenditures, amounts that have not been spent as of the end of a fiscal period must remain as unearned revenue and thus an audit adjustment was required to move the unspent funds back to the balance sheet as a liability for unearned revenue at year-end.

Effects: As a result of the misstatements identified, audit adjustments totaling approximately \$307,000 were required to properly report the County's revenues and related balance sheet accounts in accordance with GAAP as of and for the fiscal year ended June 30, 2021.

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2021-001 Revenue Recognition and Maintenance of Related Balance Sheet Accounts (Continued)

Recommendation: We recommend the County review its financial closeout procedures and the related internal controls and make adjustments or create new procedures as necessary, such as examining the subledger for all receivable accounts and making sure that items included in the detail of the account are still outstanding as of the balance sheet date. Any new controls or procedures should be designed to ensure these balances are reviewed and reported in accordance with GAAP as the County prepares its financial records for audit.

Auditee's Response: We agree with the finding although CARES funding is a new grant to local governments that required us to monitor subrecipient expenditures, which ultimately caused the overbooked revenue. We have taken steps to more carefully align applicable reporting requirements with presentation in the financial statements in accordance with GAAP.

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

MONTGOMERY COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

2020-001 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the County in accordance with generally accepted accounting principles (GAAP).

Condition: Internal controls were not sufficient to timely detect material misstatements in the County's financial statements for the year ended June 30, 2019.

Status: Resolved.

COUNTY OF MONTGOMERY

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BOARD OF COMMISSIONERS

| | |
|-----------------|------------------------|
| Mike Criscoe | Chairman, At Large |
| Dana Dawson | Vice Chairman, D1 |
| Mary Hassell | Commissioner, D2 |
| Dottie Robinson | Commissioner, At Large |
| Kay Robinson | Commissioner, D3 |

OFFICERS

| | |
|------------------------|--------------------|
| Frankie Maness | County Manager |
| Misty Coffin | Clerk to the Board |
| Chris Watkins | Sheriff |
| Melissa Pipkin | Register of Deeds |
| Russell J. Hollers III | County Attorney |
| Amber N. Daniels | Finance Director |

CORRECTIVE ACTION PLAN

Via this "Corrective Action Plan", management of the County of Montgomery, North Carolina offer readers of this report for the fiscal year ended June 30, 2021 a response to the findings identified by the auditors and shown in pages previous to this page. To gain understanding, please read the following statements in conjunction with the other information furnished in the aforementioned pages.

SECTION II– FINANCIAL STATEMENT FINDINGS AND RESPONSES

Finding:

2021-001

Name of Contact Person:

Amber N. Daniels, County Finance Director,
Department of Administration--Finance Office

Corrective Action:

All staff involved in the receipting of these special type of revenues will receive the proper training to understand when to record unearned revenue. Proper monitoring of reimbursement programs will occur consistently throughout the fiscal year.

Proposed Date of Completion:

FY22

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Findings.

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

No Findings.