

**COUNTY OF MONTGOMERY,  
NORTH CAROLINA**

Projected Financial Statements  
Prepared by  
Thomas, Judy & Tucker, P.A.

Years Ending June 30, 2016, 2017, 2018, 2019 and 2020  
(Projected under the Hypothetical Assumptions  
In Footnote 2)



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## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of County Commissioners  
Montgomery County, North Carolina

We have examined the accompanying projected statements of net position – general fund of Montgomery County, North Carolina (the “County”) as of June 30, 2016, 2017, 2018, 2019 and 2020, and the related projected statements of activities and cash flows – general fund for the years then ending. Montgomery County’s management is responsible for the projection, which was prepared for the United States Department of Agriculture feasibility study. Our responsibility is to express an opinion based on our examinations.

Our examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the projection. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying projections are presented in conformity with guidelines for presentation of a projection established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management’s projections assuming the note payable is granted to the County from the United States Department of Agriculture. However, even if the loan is granted to the County from the United States Department of Agriculture, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Our examination of the financial projection was made for the purpose of forming an opinion on whether the financial projection is presented in conformity with AICPA guidelines for presentation of a financial projection and whether the underlying assumptions provide a reasonable basis for the projection. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial projection. Such information has not been subjected to procedures applied in the examination of the financial projection, and, accordingly, we express no opinion or any other form of assurance on it.

*Thomas, Judy & Tucker, P.A.*

July 14, 2016

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**Projected Statement of Net Position - General Fund**  
**June 30, 2016, 2017, 2018, 2019 and 2020**

	Projected 2016	Projected 2017	Projected 2018	Projected 2019	Projected 2020
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,127,761	\$ 20,179,520	\$ 24,219,641	\$ 29,999,715	\$ 29,374,123
Taxes receivable, net	839,574	869,700	899,826	929,952	960,078
Accounts receivable, net	1,546,400	1,549,200	1,552,000	1,554,800	1,557,600
Due from other funds	5,000	5,000	5,000	5,000	5,000
Due from other governments	237,900	246,800	255,700	264,600	273,500
Inventories	43,300	45,800	48,300	50,800	53,300
Prepaid items	186,800	188,000	189,200	190,400	191,600
Restricted cash - debt service					2,886,025
Capital assets					
Land and construction in progress	1,028,165	5,843,108	59,364,203	1,028,165	1,028,165
Other capital assets, net of accumulated depreciation	27,463,005	26,500,005	25,500,005	92,684,108	89,765,519
<b>Total capital assets</b>	<b>28,491,170</b>	<b>32,343,113</b>	<b>84,864,208</b>	<b>93,712,273</b>	<b>90,793,684</b>
<b>Total Assets</b>	<b>47,477,905</b>	<b>55,427,133</b>	<b>112,033,875</b>	<b>126,707,540</b>	<b>126,094,910</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges from advance refunding	402,607				
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	575,116	600,965	626,814	652,663	678,512
Unearned revenues	120,000	125,000	130,000	135,000	140,000
Accrued interest payable	468,113	132,428	114,847	729,259	705,849
Net pension liability	334,070	258,569	182,312	105,293	27,503
Long-term liabilities					
Accrued compensated absences	110,039	111,140	112,251	113,373	114,507
Construction line of credit		4,802,935	57,655,403		
Long-term notes payable	14,916,991	13,151,020	11,375,152	79,158,667	76,539,946
<b>Total Liabilities</b>	<b>16,524,329</b>	<b>19,182,057</b>	<b>70,196,779</b>	<b>80,894,255</b>	<b>78,206,317</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned tax revenues	141,615	159,043	176,471	193,899	211,327
<b>Total Deferred Inflows</b>	<b>141,615</b>	<b>159,043</b>	<b>176,471</b>	<b>193,899</b>	<b>211,327</b>
<b>NET POSITION</b>					
Net investment in capital assets	13,976,786	14,389,158	15,833,653	14,553,606	14,253,738
Restricted net position:					
Stabilization of State statute	2,019,400	2,034,800	2,050,200	2,065,600	5,232,956
Other restricted fund balance	474,006	522,740	571,474	620,208	668,942
<b>Total restricted net position</b>	<b>2,493,406</b>	<b>2,557,540</b>	<b>2,621,674</b>	<b>2,685,808</b>	<b>5,901,898</b>
Unrestricted net position	14,744,376	19,139,335	23,205,298	28,379,972	27,521,630
<b>Total Net Position</b>	<b>\$ 31,214,568</b>	<b>\$ 36,086,033</b>	<b>\$ 41,660,625</b>	<b>\$ 45,619,386</b>	<b>\$ 47,677,266</b>

See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountants' Report.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**Projected Statement of Activities - General Fund**  
**Years Ending June 30, 2016, 2017, 2018, 2019 and 2020**

	Projected 2015 - 2016	Projected 2016 - 2017	Projected 2017 - 2018	Projected 2018 - 2019	Projected 2019 - 2020
<b>REVENUES</b>					
Ad valorem property taxes	\$ 18,228,498	\$ 18,319,600	\$ 18,411,100	\$ 18,503,100	\$ 18,595,600
Local option sales taxes	3,942,087	4,607,170	4,754,255	4,905,373	5,059,524
Other taxes	3,856	3,856	3,856	3,856	3,856
Intergovernmental revenues	6,027,900	6,044,651	6,048,839	6,049,886	6,050,148
Licenses, fees, permits, sales and services	3,798,645	3,393,924	3,292,744	3,267,449	3,261,125
Investment earnings	43,862	87,724	87,724	87,724	87,724
Miscellaneous revenue	89,881	90,526	90,687	90,727	90,737
<b>Total general revenues</b>	<b>32,134,729</b>	<b>32,547,451</b>	<b>32,689,205</b>	<b>32,908,115</b>	<b>33,148,714</b>
<b>EXPENSES</b>					
Salaries and benefits	9,477,143	9,571,914	9,667,634	9,764,311	9,861,955
From intergovernmental revenues	6,027,900	6,044,651	6,048,839	6,049,886	6,050,148
Other operating	2,974,732	3,093,722	3,217,471	3,346,170	3,480,017
Education	5,883,327	5,943,000	6,003,000	5,764,000	5,822,000
Debt service, interest - existing obligations	1,873,417	1,208,236	305,889	263,113	222,564
Debt service, interest - USDA loan				631,770	1,903,817
Depreciation expense	1,403,058	1,405,000	1,455,000	1,995,897	3,318,590
<b>Total expenditures</b>	<b>27,639,577</b>	<b>27,266,523</b>	<b>26,697,833</b>	<b>27,815,147</b>	<b>30,659,091</b>
Excess (deficiency) of revenues over expenditures	4,495,152	5,280,928	5,991,372	5,092,968	2,489,623
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	71,924				
Transfers out	(693,217)	(409,463)	(416,780)	(424,207)	(431,743)
Note payable issuance costs				(710,000)	
<b>Total other financing sources (uses)</b>	<b>(621,293)</b>	<b>(409,463)</b>	<b>(416,780)</b>	<b>(1,134,207)</b>	<b>(431,743)</b>
Net change in fund balances	3,873,859	4,871,465	5,574,592	3,958,761	2,057,880
<b>NET POSITION</b>					
Net position, beginning (July 1)	27,340,709	31,214,568	36,086,033	41,660,625	45,619,386
Net position, ending (June 30)	\$ 31,214,568	\$ 36,086,033	\$ 41,660,625	\$ 45,619,386	\$ 47,677,266

See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountants' Report.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**Projected Statements of Cash Flows - General Fund**  
**Years Ending June 30, 2016, 2017, 2018, 2019 and 2020**

	Projected 2015-2016	Projected 2016-2017	Projected 2017-2018	Projected 2018-2019	Projected 2019-2020
Net Cash Flows from Operating Activities:					
Change in Net Position	\$ 3,873,859	\$ 4,871,465	\$ 5,574,592	\$ 3,958,761	\$ 2,057,880
Adjustments to Reconcile Change in Net Position to Net Cash					
Provided by Operating Activities:					
Amortization of deferred charges - advance refunding	690,183	402,607			
Depreciation	1,403,058	1,405,000	1,455,000	1,995,897	3,318,589
Note payable issuance costs				710,000	
Change in Assets and Liabilities that Provided (Used) Cash:					
Taxes receivable	(30,081)	(30,126)	(30,126)	(30,126)	(30,126)
Accounts receivable, net	(2,765)	(2,800)	(2,800)	(2,800)	(2,800)
Due from other governments	(8,912)	(8,900)	(8,900)	(8,900)	(8,900)
Inventories	(2,584)	(2,500)	(2,500)	(2,500)	(2,500)
Prepaid items	(20,192)	(1,200)	(1,200)	(1,200)	(1,200)
Restricted cash	136,511				
Accounts payable	25,849	25,849	25,849	25,849	25,849
Unearned revenues	4,304	5,000	5,000	5,000	5,000
Accrued interest	(25,455)	(335,685)	(17,581)	614,412	(23,410)
Net pension liability	(190,446)	(75,501)	(76,257)	(77,019)	(77,790)
Accrued compensated absences	1,089	1,101	1,111	1,122	1,134
Unearned tax revenues	17,232	17,428	17,428	17,428	17,428
Net Cash Provided by Operating Activities	5,871,650	6,271,738	6,939,616	7,205,924	5,279,154
Net Cash Flows from Investing Activities:					
Purchases of property and equipment	(598,616)	(454,008)	(1,123,627)	(1,231,365)	(400,000)
Net Cash Used by Investing Activities	(598,616)	(454,008)	(1,123,627)	(1,231,365)	(400,000)
Net Cash Flows from Financing Activities:					
Restricted cash for debt service					(2,886,025)
Proceeds from notes payable				1,512,000	
Payments on notes payable	(1,711,259)	(1,765,971)	(1,775,868)	(1,706,485)	(2,618,721)
Net Cash Used by Financing Activities	(1,711,259)	(1,765,971)	(1,775,868)	(194,485)	(5,504,746)
Net Increase in Cash	3,561,775	4,051,759	4,040,121	5,780,074	(625,592)
Cash, Beginning of Year	12,565,986	16,127,761	20,179,520	24,219,641	29,999,715
Cash, End of Year	\$ 16,127,761	\$ 20,179,520	\$ 24,219,641	\$ 29,999,715	\$ 29,374,123

See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountant's Report.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**Projected Statements of Cash Flows - General Fund (Continued)**  
**Years Ending June 30, 2016, 2017, 2018, 2019 and 2020**

	Projected 2015-2016	Projected 2016-2017	Projected 2017-2018	Projected 2018-2019	Projected 2019-2020
Supplemental Disclosures of Cash Flow Information:					
Cash Paid During the Year for:					
Interest, Net of Amounts Capitalized	\$ 1,208,689	\$ 1,141,314	\$ 323,470	\$ 280,471	\$ 2,149,791
Supplemental Disclosure of Non-Cash Financing Activities:					
Non-cash financing activities include the following:					
Construction of building	\$	\$ (4,802,935)	\$ (52,852,468)	\$ (9,612,597)	\$
Proceeds from construction line of credit		4,802,935	52,852,468	9,612,597	
Bond issuance costs				(710,000)	
USDA note payable issued				69,490,000	
Construction line of credit payoff				(67,268,000)	
Net Bond Proceeds	\$	\$	\$	\$ 1,512,000	\$

See Accompanying Summaries of Significant Assumptions and Accounting Policies and Independent Accountant's Report.



**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

1. Summary of Significant Accounting Policies

A. Reporting Entity

The accounting policies of the general fund of the County of Montgomery, North Carolina (the "County") conform to generally accepted accounting principles as applicable to local governments within the United States of America.

The County, which is governed by a five-member board of commissioners, is one of 100 counties established in North Carolina under North Carolina General Statute (NCGS) 153A-10.

The projected financial statements present only the general fund and do not purport to, and do not present the projected financial position of the entire County as of June 30, 2016, 2017, 2018, 2019, and 2020 and the changes in its projected financial position for the years then ending in accordance with accounting principles generally accepted in the United States of America.

B. Basis of Assumptions

The financial projections present to the best of management's knowledge and belief the County's expected results of operations for the projection periods provided the loan is obtained and the high school facility is constructed. Accordingly, the projection reflects management's judgment as of July 14, 2016, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The assumptions are not considered to be all-inclusive. The assumptions disclosed are based upon management's judgment at the time the prospective information was prepared.

The financial projection has been prepared on the basis of accounting principles generally accepted in the United States of America (GAAP) expected to be used in the financial statements covering the projection periods, which are the same as those used to prepare the historical financial statements.

C. Basis of Presentation

*General Fund*

The General Fund is the County's primary operating fund, and accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, other taxes, and federal and State grants. The primary expenditures are for education, emergency services, health services, law enforcement functions, and social services (including public assistance). The Tax Revaluation Fund is a legally budgeted fund under NCGS; however, in accordance with GASB Statement No. 54, this fund is consolidated in the General Fund for financial statement presentation. The County also separately budgets for a Drug Forfeitures Fund, VFD Fund, Court Facilities Fund, Recreation Fund, and Haltiwanger Retreat Fund. For presentation purposes, all of these funds are shown as functions within the General Fund.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

The financial statements of the general fund are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes, grants, entitlements, and donations. On a full-accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all Counties, municipalities, and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held on behalf of the County by the State for sales occurring prior to year-end are recognized as revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Otherwise, intergovernmental revenues and sales and services are not susceptible to accrual because they are generally not measurable until received in cash.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. Unless the grantor stipulates otherwise, it is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

E. Assets, Liabilities, Deferred Inflows, and Fund Equity

1. Deposits and Investments

All deposits of the General Fund are made in board-designated official depositories and are secured as required by NCGS 159-31. The County may separately designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County may separately establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

1. Summary of Significant Accounting Policies (Continued)

2. Cash and Cash Equivalents

The County pools monies from several funds to facilitate disbursement and investment to maximize investment income. Therefore, all deposits are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Assets

Certain of the County's cash and cash equivalents are classified as restricted assets within the general fund because their use is completely restricted for purposes relating to the County's potential financing with the USDA.

4. Ad Valorem Property Taxes Receivable

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 1, the beginning of the fiscal year. These taxes are based on the assessed values as of the January 1 that immediately precedes the July 1 levy. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6.

5. Allowances for Uncollectible Accounts

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

6. Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The consumption method of accounting for prepaid items is used, meaning that such items are recorded as expenses in the period in which they are used.

7. Capital Assets

The County's general fund capital assets are shown as assets in the statement of net position. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are \$5,000 for all asset categories, except that land is capitalized regardless of cost. The cost of normal maintenance and repairs that neither add to the value of the asset nor materially extend the estimated life of the asset are not capitalized.

8. Deferred Inflows of Resources

In addition to liabilities, the balance sheet may also report a separate section for the deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as revenues until then. The County's general fund has two items that meet this criteria – net property taxes receivable and unearned tax revenues.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

1. Summary of Significant Accounting Policies (Continued)

9. Long-Term Obligations

In the general fund statement of net position, long-term debt and other long-term obligations are reported as liabilities.

10. Compensated Absences

The County has assumed a first-in, first-out method of using accumulated compensated absences. The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the vacation leave is earned.

The overtime policy of the County provides for the accumulation of up to sixty days for non-exempt public safety employees and up to thirty days for all other non-exempt employees. Non-exempt employees will earn compensatory hours at the rate of one and one-half times the number of hours worked above forty hours during a specific week. Exempt employees earn an hour of compensatory leave for each hour worked above forty hours during the workweek, yet no maximum is set since compensatory hours earned by exempt employees will not be paid upon termination of employment. An expense and a liability for compensated absences and the salary-related payments are recorded as the overtime is earned by public safety employees and all other non-exempt employees.

The sick leave policy of the County provides for an unlimited accumulated 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 the length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, an accrual for sick leave has not been made.

11. Net Position

Net position is classified as “unrestricted,” “restricted,” or “net investment in capital assets.” Restricted net position represents constraints on resources that are either a) imposed by law through State statute or b) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The component called “net investment in capital assets” reports the total amount of capital assets as reduced both by accumulated depreciation and by remaining outstanding debt used to finance the purchase or construction of any capital assets (such that outstanding debt for school-related projects are included only where the County records a capital asset). Unrestricted net position is the remainder of net position not classified as either restricted or net investment in capital assets.

To provide guidance in situations involving multiple revenue sources, the County will use resources in the following order: cost-reimbursement grant funds, federal-source funds, state-source funds, other non-debt third-party-source funds, debt proceeds, and County funds. Likewise, the County intends to expend resources that have been classified as fund balance in the following order: restricted, committed, assigned, and unassigned. The County Finance Director is authorized to deviate from this policy to comply with funding stipulations and when in the best interest of the County.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

1. Summary of Significant Accounting Policies (Continued)

12. Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension liability and related pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

2. Summary of Significant Projection Assumptions

A. Revenues

*Ad Valorem Property Taxes*

Property tax revenues are projected by estimating assessed property tax values based upon historical trends, and includes an estimated significant increase in 2016 due to the increase in the County-wide property tax rate from \$.57 per \$100 valuation to \$.62 per \$100 valuation. This increase was added to the County-wide property tax rate to address the need to improve and / or replace educational facilities. Based upon the forecasted property tax values for the year ending June 20, 2017, the County predicts that the collection of this \$.05 increase in the property tax rate will rise 1% during each year of the projection period.

*Local Option Sales Taxes*

Local option sales tax revenues are estimated during the projection period based upon historical trends, as well as projecting increases as a result of a State approved change in the distribution of sales taxes which is expected to increase revenues for the County by an average of \$50,000 per month during the projection period. Additionally, the County began receiving monies in 2012 from an approved ¼ cent sales tax increase. These monies are being used to meet current debt service requirements and to supplement maintenance on existing educational facilities. Current debt from which this sales tax revenue is used is scheduled to mature in September 2027 at which time these dollars will be dedicated to be used for the new educational facility financing from the USDA.

*Intergovernmental Revenues*

Management has estimated intergovernmental revenues based upon historical trends and has estimated slight increases in revenue during the projection period as the revenues recognized in recent years has grown slightly.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
**June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)**

2. Summary of Significant Projection Assumptions (Continued)

*Licenses, Fees, Permits, Sales and Services*

The County has estimated revenues based upon historical trends, as well as an estimated decrease in revenues from landfill collections.

*Investment Earnings*

The County has projected a significant increase in investment earnings during the year ending June 30, 2017 based upon an increase in the interest rates earned on deposit balances. The County is estimating that these rates will be consistent for the years ending June 30, 2018, 2019, and 2020.

B. Expenses

*Salaries and Benefits*

Based upon average growth in expenditures using historical data during the previous four years, salaries and benefits are estimated to increase by 1% each year during the projection period.

*Other Operating Expenses*

Other operating expenses have been estimated to increase by 2% each year, even though this expense category has averaged a 2.5% decrease during the previous four years.

*Education*

On an annual basis, the Board of County Commissioners estimates an allotment given to support Montgomery County Schools and Montgomery Community College. Expenses during the years ending June 30, 2016, 2017, and 2018 have been projected using historical data and budgeted amounts and are increasing by an average of 1%. During the year ending June 30, 2019, the County has estimated a decrease in the allotment because the construction will be complete on the new high school, and the County expects to realize significant cost savings as a result of having one high school built using energy efficient measures. Additionally, the County will move from having two high school facilities to one facility. For the year ending June 30, 2020, the County estimates a 1% increase in the allotment based upon the amount allotted during the year ending June 30, 2019.

C. Capital Assets

Capital outlay expense is estimated to be as follows for each year ending June 30:

2016	\$	598,616
2017		5,256,943
2018		53,976,095
2019		10,843,962
2020		400,000

The County expects the most significant capital project to be the for the construction of the high school which is slated to begin during the year ending June 30, 2018 and completed during the year ending June 30, 2019.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

2. Summary of Significant Projection Assumptions (Continued)

On a government-wide basis, capital assets are depreciated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	39
Depreciable improvements	15 to 39
Computer equipment	3 to 10
Electronic items, utility trailers, and vehicles	5 to 15
Firearms, furniture, and other equipment	7 to 15

Capital assets is expected to be as follows for the general fund as of June 30:

	Balance 6/30/2016	Balance 6/30/2017	Balance 6/30/2018	Balance 6/30/2019	Balance 6/30/2020
<b>Capital Assets:</b>					
Land and Improvements	\$ 1,028,165	\$ 1,028,165	\$ 1,028,165	\$ 1,028,165	\$ 1,028,165
High School Construction in Progress		4,814,943	58,336,038		
High School Project				68,780,000	68,780,000
Buildings and Improvements	36,254,811	36,504,811	36,809,811	37,059,811	37,309,811
Motorized Equipment	6,833,260	7,000,260	7,125,260	7,250,260	7,375,260
Other Equipment	1,686,785	1,711,785	1,736,785	1,761,785	1,786,786
Total assets depreciated	\$ 45,803,021	\$ 51,059,964	\$ 105,036,059	\$ 115,880,021	\$ 116,280,022
<b>Less: Accumulated Depreciation:</b>					
Buildings and Improvements	\$ (10,715,148)	\$ (11,865,148)	\$ (13,065,148)	\$ (14,365,148)	\$ (15,665,148)
High School Project				(440,897)	(2,204,487)
Motorized Equipment	(5,121,553)	(5,321,553)	(5,521,553)	(5,721,553)	(5,921,553)
Other Equipment	(1,475,150)	(1,530,150)	(1,585,150)	(1,640,150)	(1,695,150)
Total accumulated Depreciation	(17,311,851)	(18,716,851)	(20,171,851)	(22,167,748)	(25,486,338)
<b>Total Capital Assets, Net</b>	<b>\$ 28,491,170</b>	<b>\$ 32,343,113</b>	<b>\$ 84,864,208</b>	<b>\$ 93,712,273</b>	<b>\$ 90,793,684</b>

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

2. Summary of Significant Projection Assumptions (Continued)

D. Long-Term Obligations

The County's projected general fund existing long-term debt consists of the following:

	Balance 6/30/2016	Balance 6/30/2017	Balance 6/30/2018	Balance 6/30/2019	Balance 6/30/2020
<b>General Fund: Certificates of Participation ("COPS")</b>					
\$15,790,000 - Public Facilities Project, Series 2007A COPS; due in annual installments of \$705,000 to \$805,000 through February 1, 2017; lump sum payment of \$10,445,000 due at maturity; interest at 5.00%	\$ 805,000	\$ -	\$ -	\$ -	\$ -
\$10,000,000 - Public Facilities Project, Series 2007B COPS; due in annual installments of \$450,000 to \$455,000 through February 1, 2017; lump sum payment of \$5,905,000 due at maturity; interest at 5.00%	455,000	-	-	-	-
\$8,353,601 - Facilities Advanced Refunding, Series 2014 COPS; due in annual installments of \$191,669 to \$1,006,254 through February 1, 2025; interest at 2.47%	8,024,145	7,827,742	6,821,488	5,822,579	4,831,197
\$5,745,604 - Facilities Advanced Refunding, Series 2015 COPS; due in annual installments of \$196,473 to \$661,298 through February 1, 2025; interest at 2.47%	5,363,595	5,162,270	4,500,971	3,846,088	3,193,799
<b>Subtotal COPS</b>	<b>14,647,740</b>	<b>12,990,012</b>	<b>11,322,459</b>	<b>9,668,667</b>	<b>8,024,996</b>
<b>General Fund: Installment Purchase Loans ("IPL")</b>					
\$100,000 - Vehicle Purchases, 2013 loan for 59 months; due in annual payments of \$21,015 through February 28, 2018; interest at 1.65%	40,990	20,660	-	-	-
\$180,000 - Building Purchases, 2013 loan for 59 months; due in annual payments of \$38,163 through May 27, 2018; interest at 1.65%	72,775	35,829	-	-	-
\$254,930 - Vehicle Purchases, 2013 loan for 59 months; due in annual payments of \$53,575 through August 20, 2018; interest at 1.65%	155,485	104,519	52,693	-	-
<b>Subtotal IPL</b>	<b>269,250</b>	<b>161,008</b>	<b>52,693</b>	<b>-</b>	<b>-</b>
<b>General Fund: Hypothetical Note Payable</b>					
\$69,490,000 - High School Building Project financing through USDA; due in annual installments of \$2,886,025 through March 2059; annual installments of principal and interest will commence April 2020; interest at 2.75%	-	-	-	69,490,000	68,514,950
	<b>\$ 14,916,990</b>	<b>\$ 13,151,020</b>	<b>\$ 11,375,152</b>	<b>\$ 79,158,667</b>	<b>\$ 76,539,946</b>



**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

2. Summary of Significant Projection Assumptions (Continued)

Advance Refundings

In December 2014, the County issued the \$8,353,601 Facilities Advanced Refunding as discussed above with BB&T Governmental Finance to provide resources to refund certificates of participation originally issued in 2007 (Series A). As a result, the refunded debt amounts are considered defeased and the related liability has been removed from the statement of net position. The carrying amount of the old debt exceeded the reacquisition price by \$1,024,320. This amount is being amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$5,422,762 and resulted in an economic gain of \$4,087,049.

In January 2015, the County issued the \$5,745,604 Facilities Advanced Refunding as discussed above with BB&T Governmental Finance to provide resources to refund certificates of participation originally issued in 2007 (Series B). As a result, the refunded debt amounts are considered defeased and the related liability has been removed from the statement of net position. The carrying amount of the old debt exceeded the reacquisition price by \$615,634. This amount is being amortized over the life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$1,985,935 and resulted in an economic gain of \$1,356,339.

Hypothetical Line of Credit Agreement – construction loan

The County plans to enter into a line of credit agreement for the construction of a new high school facility with a maximum borrowing capacity of \$69,490,000. Upon completion of construction, the outstanding balance on the line will be repaid from proceeds from the USDA note payable as discussed below. Interest will accrue on the outstanding balance at 2% and is payable at the end of the construction period. The line of credit agreement is projected to have an outstanding balance of \$4,802,935 as of June 30, 2017, \$57,655,403 as of June 30, 2018, and \$67,268,000 as of the end of the construction period (March 2019) upon which the entire amount will be repaid. Interest on the line of credit is payable monthly and will be capitalized into the cost of the building. Interest is estimated to be \$12,007, \$668,267, and \$831,366 for the years ending June 30, 2017, 2018, and 2019, respectively.

Hypothetical USDA Note Payable - High School

Proceeds from potential USDA financing will be used by the County for a new high school facility for an approximate cost of \$69,490,000. The land upon which the high school will be built was donated by a private donor.

Financing terms have not been agreed to, however this projection assumes the acquisition of the school facility is financed by a direct loan from the United States Department of Agriculture ("USDA").

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

2. Summary of Significant Projection Assumptions (Continued)

The assumptions for the total financing follow:

USDA Direct Loan	\$ 69,490,000
Less: construction period interest reimbursement	1,512,000
Less: cost of issuance	<u>710,000</u>
Net proceeds	<u>\$ 67,268,000</u>

The USDA Direct Loan will be secured by a pledge of all revenues of the County, all as to be more fully described in the legal documents ("Pledged Revenues"). The County will manage the facilities as a revenue generating facility (high school), and not to create, assume, incur or suffer to be created, assumed or incurred any liens (other than permitted encumbrances) on all or any portion of the facilities or the Pledged Revenues. Such pledge will be available only to satisfy any obligation legally due and outstanding pursuant to the financing documents.

A first lien position on substantially all assets of the borrower including but not limited to the school facilities, additional improvements, land, furniture, fixtures and equipment, and reserve funds held in trust (see below).

USDA will require the borrower to fund a Debt Service Reserve equal to 10% of its annual debt service until one annual payment is held in reserve in a restricted account held and maintained by the borrower. The estimated fully funded reserve account balance will be \$2,886,025. The County is planning to fund the reserve in the initial year of the loan. Should funds be withdrawn from the account to cover debt service or facility repairs, the borrower will be required to replenish any funds drawn from the Reserve Account in equal monthly payments commencing 90 days following such withdrawal. Failure to cure will cause the borrower to be considered in non-monetary default. Such reserves will be funded with excess revenues and shall be maintained for the life of the loan. The reserve account will show as a restricted asset on the borrower's balance sheet and will be invested in instruments that are approved by USDA.

The loan is expected to bear an interest rate of 2.75% with equal annual installments of \$2,886,025 through final maturity in March 2059. This projection assumes annual principal and interest payments will commence April 2020.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

2. Summary of Significant Projection Assumptions (Continued)

Annual debt service requirements to maturity for all general fund long-term debt, including the hypothetical USDA agreement, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Year Ending June 30:</b>			
2016	\$ 1,711,259	\$ 1,873,417	\$ 3,584,676
2017	1,765,971	1,208,236	2,974,207
2018	1,775,868	305,889	2,081,757
2019	1,706,485	894,883	2,601,368
2020	2,618,721	2,126,381	4,745,102
2021	2,633,459	2,073,246	4,706,705
2022 – 2026	11,831,448	9,335,552	21,167,000
2027 – 2031	6,228,062	8,145,285	14,373,347
2032 – 2036	7,132,833	7,232,266	14,365,099
2037 – 2041	8,169,044	6,186,608	14,355,652
2042 – 2046	9,355,788	4,989,045	14,344,833
2047 – 2051	10,714,934	3,617,508	14,332,442
2052 – 2056	12,271,529	2,046,723	14,318,252
2057 – 2059	8,202,840	380,455	8,583,295
<b>Total</b>	<b>\$ 86,118,241</b>	<b>\$ 50,415,494</b>	<b>\$ 136,533,735</b>

E. Pension Plan Obligations

*Plan Description.* The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), which provides retirement and survivor benefits to plan members and beneficiaries. LGERS membership is comprised of general employees and law enforcement officers (LEOs) of participating local government entities. LGERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. According to Article 3 of NCGS 128, the North Carolina General Assembly has the authority to establish and amend benefit provisions. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine of which are appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The State of North Carolina's annual financial report includes all financial statements and requirement supplementary information for LGERS. You may obtain the State's annual financial report by submitting your request to the Office of the State Controller, (919) 981-5454, [www.osc.nc.gov](http://www.osc.nc.gov), 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

3. Summary of Significant Projection Assumptions (Continued)

E. Pension Plan Obligations

*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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees.

The County is required to record its proportionate share of the net pension liability. The total pension liability used to calculate the net pension liability is determined by actuarial valuations performed on the entire Plan. 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.

The County estimates that its proportionate share of the net pension liability will be a net pension liability of \$334,070, \$258,569, \$182,312, \$105,293, and \$27,503 as of June 30, 2016, 2017, 2018, 2019, and 2020, respectively.

F. Interfund Activity and Balances

Due to/from balances represent advances/reimbursements to be made among funds based upon the fact that the County utilizes a central depository for processing receipts and payments. All interfund balances are expected to be offset with recorded transfers in the ensuing fiscal year. The composition of interfund balances is projected to be due to other funds from the general fund of \$5,000 as of June 30, 2016, 2017, 2018, 2019, and 2020.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

3. Summary of Significant Projection Assumptions (Continued)

Interfund transfers enable the County to move unrestricted revenues from one fund to another fund to sustain programs that must be reported in the other fund. Transfers to other funds from the general fund are projected to be as follows:

	<u>Balance</u> <u>6/30/2016</u>	<u>Balance</u> <u>6/30/2017</u>	<u>Balance</u> <u>6/30/2018</u>	<u>Balance</u> <u>6/30/2019</u>	<u>Balance</u> <u>6/30/2020</u>
<b>From General Fund:</b>					
To School Maintenance Fund for current maintenance needs	\$ 350,950	\$ 357,796	\$ 365,113	\$ 372,540	\$ 380,076
To County Projects Fund for current capital projects activity	225,000				
To Airport Projects Fund to to accumulate resources for future capital projects	16,667	16,667	16,667	16,667	16,667
To Tourism Development Authority to accumulate resources for supporting fund activities	95,886	35,000	35,000	35,000	35,000
To E-911 fund for supporting fund activities	4,714				
	<u>4,714</u>				
Total from General Fund	<u>\$ 693,217</u>	<u>\$ 409,463</u>	<u>\$ 416,780</u>	<u>\$ 424,207</u>	<u>\$ 431,743</u>
<b>To General Fund:</b>					
From Child Support Incentives Fund for reimbursement of prior year expenditures paid from General Fund	<u>\$ 71,924</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

G. Net Position

Net position is classified as “unrestricted,” “restricted,” or “net investment in capital assets.” Restricted net position represents constraints on resources that are either a) imposed by law through State Statute or b) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

The component called “net investment in capital assets” reports the total amount of capital assets as reduced by accumulated depreciation and remaining outstanding debt used to finance the purchase or construction of any capital assets.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**NOTES TO PROJECTED FINANCIAL STATEMENTS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

2. Summary of Significant Projection Assumptions (Continued)

The calculation for restriction of stabilization of State statute is as follows for the General Fund:

	<u>Balance</u> <u>6/30/2016</u>	<u>Balance</u> <u>6/30/2017</u>	<u>Balance</u> <u>6/30/2018</u>	<u>Balance</u> <u>6/30/2019</u>	<u>Balance</u> <u>6/30/2020</u>
<b>Fund balance available for appropriation:</b>					
Cash and investments	\$ 16,127,761	\$ 20,179,520	\$ 24,219,641	\$ 29,999,715	\$ 29,374,123
Liabilities and deferred inflows	(1,676,305)	(1,754,708)	(1,833,111)	(1,911,514)	(1,989,917)
Unavailable revenues not arising from cash receipts	<u>839,574</u>	<u>869,700</u>	<u>899,826</u>	<u>929,952</u>	<u>960,078</u>
Fund balance available for appropriation	<u>15,291,030</u>	<u>19,294,512</u>	<u>23,286,356</u>	<u>29,018,153</u>	<u>28,344,284</u>
<b>Restricted for Stabilization of State Statute:</b>					
Total fund balance	17,310,430	21,329,312	25,336,556	31,083,753	33,577,240
Fund balance available for appropriation	<u>(15,291,030)</u>	<u>(19,294,512)</u>	<u>(23,286,356)</u>	<u>(29,018,153)</u>	<u>(28,344,284)</u>
Fund balance not available for appropriation	<u>2,019,400</u>	<u>2,034,800</u>	<u>2,050,200</u>	<u>2,065,600</u>	<u>5,232,956</u>
Restricted for Stabilization of State Statute	<u>\$ 2,019,400</u>	<u>\$ 2,034,800</u>	<u>\$ 2,050,200</u>	<u>\$ 2,065,600</u>	<u>\$ 5,232,956</u>

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

The Board of County Commissioners seeks to conduct the financial affairs of the County in such a manner so as to achieve a fund balance available for appropriation in the General Fund of at least 20% to 25% of audited expenditures.

3. Federal and State Assistance

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

**SUPPLEMENTARY INFORMATION**

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**Projected Covenant Calculations**  
**Years Ending June 30, 2016, 2017, 2018, 2019 and 2020**

Debt Service Coverage Ratio	Projected				
	2015-16	2016-17	2017-18	2018-19	2019-20
Total Ad Valorem Property Tax Revenues	18,228,498	18,319,600	18,411,100	18,503,100	18,595,600
Total Local Option Sales Tax Revenues	3,942,087	4,607,170	4,754,255	4,905,373	5,059,524
Total Other Tax Revenues	3,856	3,856	3,856	3,856	3,856
Total Intergovernmental Revenues	6,027,900	6,044,651	6,048,839	6,049,886	6,050,148
Total Licenses, Fees, Permits, Sales and Services	3,798,645	3,393,924	3,292,744	3,267,449	3,261,125
Total Investment Earnings	43,862	87,724	87,724	87,724	87,724
Total Miscellaneous Revenues	89,881	90,526	90,687	90,727	90,737
<b>Total Revenue</b>	<b>32,134,729</b>	<b>32,547,451</b>	<b>32,689,205</b>	<b>32,908,115</b>	<b>33,148,714</b>
<b>Total Expenditures</b>	<b>27,639,577</b>	<b>27,266,523</b>	<b>26,697,833</b>	<b>27,815,147</b>	<b>30,659,091</b>
<b>Total Other Financing Sources (Uses)</b>	<b>(621,293)</b>	<b>(409,463)</b>	<b>(416,780)</b>	<b>(1,134,207)</b>	<b>(431,743)</b>
Net Change in Fund Balance	3,873,859	4,871,465	5,574,592	3,958,761	2,057,880
Add:					
Depreciation	1,403,058	1,405,000	1,455,000	1,995,897	3,318,590
Debt service, interest and fees	1,873,417	1,208,236	305,889	263,113	222,564
Debt service, interest - USDA loan				631,770	1,903,817
Note payable issuance costs				710,000	
Net Revenue Available for Debt Service	7,150,334	7,484,701	7,335,481	7,559,541	7,502,851
<i>Annual Debt Service:</i>					
Principal	1,711,259	1,765,971	1,775,868	1,706,485	2,618,721
Interest	1,873,417	1,208,236	305,889	894,883	2,126,381
<i>Total Annual Debt Service</i>	<b>3,584,676</b>	<b>2,974,207</b>	<b>2,081,757</b>	<b>2,601,368</b>	<b>4,745,102</b>
<b>Annual Debt Service Coverage Ratio</b>	<b>1.99x</b>	<b>2.52x</b>	<b>3.52x</b>	<b>2.91x</b>	<b>1.58x</b>
<i>Maximum Annual Debt Service:</i>	4,745,102	4,745,102	4,745,102	4,745,102	4,745,102
<b>Maximum Annual Debt Service Coverage Ratio</b>	<b>1.51x</b>	<b>1.58x</b>	<b>1.55x</b>	<b>1.59x</b>	<b>1.58x</b>



**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**EXHIBIT ONE – COST ESTIMATE EXCERPT**  
**FROM ARCHITECTURAL FEASIBILITY REPORT**  
 June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

**SECTION VI: COST ESTIMATE**

A detailed estimate of probable cost is included in the table below. The desired programming and design elements reported in Section IV have been captured in the facility construction numbers; preliminary investigations and evaluations regarding the site have been considered; detailed estimates for machinery and equipment required by the CTE programs were compiled; and soft costs have been vetted.

ITEM	DESCRIPTION	ESTIMATE	NOTES
<i>Hard Costs</i>			
1	Land Acquisition	N/A	site is owned by MCS
2	Site Work	\$ 9,850,000.00	blasting, grading, drainage, hardscapes, athletic fields, & landscaping
3	Construction - High School (226,422 s.f.)	\$ 36,000,000.00	includes a 16,000 s.f. Performing Arts Center
4	Construction - CTE / Early College (80,391 s.f.)	\$ 9,000,000.00	
5	Equipment, Furniture & Fixtures - H.S.	\$ 1,250,000.00	standard fit for school facilities
6	Equipment, Furniture & Fixtures - CTE/E.C.	\$ 2,000,000.00	additional equipment & machinery for CTE facility
7	Contingencies (10% required)	\$ 5,810,000.00	usda required percentage of construction costs
<i>Soft Costs</i>			
8	Administrative & Legal	\$ 710,000.00	USDA loan issuance cost, feasibility reports, title insurance, appraisal, phase 1 ESA
9	Architectural/Engineering Fees	\$ 3,608,000.00	includes \$158,000 for geotechnical investigation & report
10	Misc. - Construction Financing	\$ 1,512,000.00	construction financing
11	Misc. - Duke Energy rebates	\$ (250,000.00)	minimal prescriptive EEM rebates
	<b>TOTAL:</b>	<b>\$ 69,490,000.00</b>	

The SiteOps Civil Engineering Report (Exhibit 6), using the information in the Preliminary Subsurface Investigation Report (Exhibit 8), indicates that site work cost should be approximately 8.6 million dollars.

Information submitted in the Preliminary Subsurface Investigation Report was used to populate engineered site development software to develop probable costs of the necessary site work. The SiteOps report establishes an estimate of 8.6 million dollars for this line item. Considering the limitations of the subsurface report (i.e. only minimal, yet strategic, borings were performed), the final line item cost was increased to allow for any unknowns that may exist.

Facility construction costs are based on historical records of our firm and the NCDPI recent school construction costs – see Exhibit 9. Equipment, furniture & fixtures for the High School facility were also based on historical records of our firm. The equipment, furniture, & fixtures for the CTE/EC facility were vetted a little further and separated from the previous, as specific programming requirements can manipulate this number significantly.

Construction contingencies are at the required 10% for USDA funding.

As stated above, project soft costs have been vetted, knowing USDA funding is being sought.

Considering the amount of effort put into collecting as much information as feasible regarding programming, design considerations, site information and construction costs data, we are confident that the above estimate is conservative enough for budget and funding purposes.

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
**EXHIBIT TWO – PREPARER QUALIFICATIONS**  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

Thomas, Judy & Tucker, P.A. (“TJT”) was founded in 1990 by Chris Judy, Cliff Thomas and David Tucker. Chris and Cliff were partners in a large local firm that began in 1977 and later merged with Arthur Young & Company. Chris, Cliff and David then joined together to form a company that is committed to providing quality service to small and middle market companies, governmental, and not-for-profit organizations in North Carolina. Today, TJT has 8 partners and over 100 highly-trained professionals, of which approximately 45 are CPA’s. The firm has offices in Raleigh and Durham, North Carolina.

The firm is a member of AGN International (AGN), which is a worldwide association of separate and independent accounting firms serving businesses throughout the world. AGN is unequalled for expertise, professional experience and business knowledge. It is through TJT’s affiliation with AGN that it can tap a worldwide network of up-to-date professional knowledge regarding the diverse financial and tax rules governing local, national and international commerce. Firms in the AGN association invest in state of the art training and we utilize this network to provide quality training for our people. AGN is represented in 88 countries consisting of 195 member firms with 479 offices.

At Thomas, Judy & Tucker, P.A., we provide a wide range of assurance, attestation and consulting services, including:

- |                                       |                                    |
|---------------------------------------|------------------------------------|
| Audits                                | New business formation             |
| Reviews                               | Entity selection                   |
| Compilations                          | Merger and acquisition support     |
| Agreed upon procedure engagements     | Succession planning                |
| Projection engagements                | Sale of business                   |
| Fraud examination / forensic services | Accounting policies and procedures |

Thomas, Judy & Tucker, P.A. has created a reputation of excellence and integrity known throughout the State of North Carolina by providing superior customer service and experienced and specialized personnel to clients. The firm has the ability to process an intricate knowledge of available external resources and integrate those resources to the benefit of our clients. Dedicated to excellence, the firm submits to a quality review of its practice every three years by an independent team of Certified Public Accountants approved by the American Institute of Certified Public Accountants. The most recent quality control review is included within this report.

The clients that TJT serves within the governmental and not-for-profit industry include charter schools, affordable housing, private schools, religious organizations, trade associations, PACs, private foundations, and voluntary health and welfare organizations. The firm audits approximately 13 charter schools on an annual basis and is very experienced in the governmental accounting and auditing standards specific to this type of governmental entity.

COUNTY OF MONTGOMERY, NORTH CAROLINA  
EXHIBIT THREE – SYSTEM REVIEW REPORT OF PREPARER  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)



FAW CASSON  
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

System Review Report

June 26, 2013

To the Shareholders of Thomas, Judy & Tucker, P.A.  
and the Peer Review Committee of the North Carolina Association of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Thomas, Judy & Tucker, P.A.(the firm) in effect for the year ended April 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for the review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Thomas, Judy & Tucker, P.A. in effect for the year ended April 30, 2013, has been suitably designed and compiled with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Thomas, Judy & Tucker, P.A. has received a peer review rating of *pass*.

*Faw, Casson & Co., LLP*

FAW, CASSON & CO., LLP



WWW.FAWCASSON.COM

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9748 STEPHEN DECATUR HWY., SUITE 103 OCEAN CITY, MD 21842 P 410-213-8700 F 410-213-7221

**COUNTY OF MONTGOMERY, NORTH CAROLINA**  
EXHIBIT FOUR – CERTIFICATE OF PROFESSIONAL LIABILITY INSURANCE  
June 30, 2016, 2017, 2018, 2019 and 2020 (Projected)

See Attachment



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

5/23/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Bagwell & Bagwell Insurance LLC 2626 Glenwood Ave. Suite 300 Raleigh NC 27608	<b>CONTACT NAME:</b> Clark Woodard <b>PHONE (A/C, No. Ext):</b> (919) 832-6667 <b>E-MAIL ADDRESS:</b> clark@1919bb.com		<b>FAX (A/C, No):</b> (919) 856-0789
	<b>INSURER(S) AFFORDING COVERAGE</b> INSURER A: Travelers		<b>NAIC #</b>
<b>INSURED</b> Thomas, Judy & Tucker, P.A. 4700 Falls of the Neuse Road Suite 400 Raleigh NC 27609	<b>INSURER B :</b>		
	<b>INSURER C :</b>		
	<b>INSURER D :</b>		
	<b>INSURER E :</b>		
	<b>INSURER F :</b>		

**COVERAGES**

CERTIFICATE NUMBER: CL1652303371

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	<b>COMMERCIAL GENERAL LIABILITY</b> <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$ Network Informatio \$
	<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
	<b>UMBRELLA LIAB</b> <input type="checkbox"/> OCCUR <b>EXCESS LIAB</b> <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	<input type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> N/A					<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Professional			105804426	7/1/2015	7/1/2016	Liability Limit 5,000,000 Deductible 100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

**CERTIFICATE HOLDER**

USDA

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Clark Woodard/CW

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## Additional Named Insureds

### Other Named Insureds

DW TECHNOLOGY SERVICES, LLC	Additional Named Insured
TJT ACCOUNTING SERVICES, INC	Additional Named Insured
TJT FINANCIAL SERVICES, LLC	Additional Named Insured
TJT TECHNOLOGY SERVICES, INC.	Additional Named Insured

## ADDITIONAL COVERAGES

<b>Ref #</b>	<b>Description</b> Disciplinary/Regulatory Expenses	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b> 25,000	<b>Limit 2</b> 50,000	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b> Crisis Event Expenses	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b> 10,000	<b>Limit 2</b> 30,000	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b>	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b>	<b>Limit 2</b>	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b>	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b>	<b>Limit 2</b>	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b>	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b>	<b>Limit 2</b>	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b>	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b>	<b>Limit 2</b>	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b>	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b>	<b>Limit 2</b>	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b>	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b>	<b>Limit 2</b>	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b>	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b>	<b>Limit 2</b>	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>
<b>Ref #</b>	<b>Description</b>	<b>Coverage Code</b>	<b>Form No.</b>	<b>Edition Date</b>	
<b>Limit 1</b>	<b>Limit 2</b>	<b>Limit 3</b>	<b>Deductible Amount</b>	<b>Deductible Type</b>	<b>Premium</b>