MONTGOMERY COUNTY BOARD OF EDUCATION
Troy, North Carolina

Financial Statements
For the Fiscal Year Ended
June 30, 2020

MONTGOMERY COUNTY BOARD OF EDUCATION
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A S W ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Montgomery County Board of Education
Troy, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County Board of Education, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, each major fund, and the aggregate remaining fund information of the Montgomery County Board of Education as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School, Other Special Revenue and Federal Grants funds 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 Management's Discussion and Analysis on pages 3 through 9 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedules of Board Contributions on pages 47 through 52, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montgomery County Board of Education's basic financial statements. The individual nonmajor fund schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The individual nonmajor fund schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2020 on our consideration of the Montgomery County Board of Education'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

September 11, 2020
Rockingham, North Carolina
(910) 997-1418

This section of the Montgomery County Board of Education's (the "Board"*)* financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2020. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

For the fiscal year ended June 30, 2020, the Board's total government-wide net position decreased by $299,000. Governmental activities net position decreased by $363,000 and business-type activities net position increased by $64,000.

- Total government-wide net investment in capital assets decreased by $996,000, or 2.7%, from the prior year. Governmental activities net investment in capital assets decreased by $965,000 and business-type activities investment in capital assets decreased by $32,000.
- Total governmental activities restricted net position decreased by $279,000, or 18.1%, from the prior year.
- The Board's total government-wide unrestricted net position at June 30, 2020 increased by $978,000 over the prior year. Governmental activities unrestricted net position increased by $881,000 while business-type activities unrestricted net position increased by $97,000 over the prior year.
- Financial reporting awards from the Association of School Business Officials International and the Government Finance Officers Association were received for the eighth consecutive year.

Overview of the Financial Statements

The audited financial statements of the Montgomery County Board of Education consist of four components. They are as follows:

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents the Schedules of the Board's Proportionate Share of Net Pension and OPEB Liabilities (Assets) and the Schedules of Board Contributions.*
- *Supplementary section that presents budgetary and other schedules for governmental and enterprise funds.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements,* which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near-term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting.

The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund

financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how it has changed. Net position is the difference between the Board's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. This is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial position is improving or deteriorating.
- To assess the Board's overall health, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of its school buildings and other physical assets.

The unit's activities are divided into two categories in the government-wide statements:

- *Governmental activities*: Most of the Board's basic services are included here, such as regular and special education, transportation, and administration. County funding and State and federal aid finance most of these activities.
- *Business-type activities*: The Board charges fees to help it cover the costs of certain services it provides. School food service is included here.

The government-wide statements are shown as Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's funds, focusing on its most significant or "major" funds - not the unit as a whole. Funds are accounting devices the Board uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law, such as the State Public School Fund.
- The Board has established other funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Federal Grants Fund.

Montgomery County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Special Revenue Fund and the Federal Grants Fund.

The governmental fund statements are shown as Exhibits 3, 4, 5 and 6 of this report.

Proprietary fund: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Montgomery County Board of Education's only proprietary fund is an enterprise fund, the School Food Service Fund.

The proprietary fund statements are shown as Exhibits 7, 8, and 9 of this report.

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $26.0 million at June 30, 2020 as compared to $25.7 million as of June 30, 2019, a decrease of $299,000. Following is a summary of the Statement of Net Position at June 30, 2020 and 2019:

Table 1
Condensed Statement of Net Position
As of June 30, 2020 and 2019

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Current assets	$ 5,029,137	$ 4,928,154	$ 849,177	$ 847,834	$ 5,878,314	$ 5,775,988
Capital assets	36,013,058	37,236,279	40,366	72,001	36,053,424	37,308,280
Total assets	41,042,195	42,164,433	889,543	919,835	41,931,738	43,084,268
Deferred outflows of resources	10,569,281	11,542,226	384,022	436,431	10,953,303	11,978,657
Current liabilities	1,609,372	1,826,987	57,155	50,040	1,666,527	1,877,027
Long-term liabilities	55,117,732	54,568,177	2,003,249	2,050,789	57,120,981	56,618,966
Total liabilities	56,727,104	56,395,164	2,060,404	2,100,829	58,787,508	58,495,993
Deferred inflows of resources	19,349,516	21,413,600	703,043	809,683	20,052,559	22,223,283
Net investment in capital assets	35,838,485	36,802,989	40,366	72,001	35,878,851	36,874,990
Restricted net position	1,263,135	1,542,270	5,596	7,015	1,268,731	1,549,285
Unrestricted net position (deficit)	(61,566,764)	(62,447,364)	(1,535,844)	(1,633,262)	(63,102,608)	(64,080,626)
Total net position (deficit)	$ (24,465,144)	$ (24,102,105)	$ (1,489,882)	$ (1,554,246)	$ (25,955,026)	$ (25,656,351)

The net position of the Board's governmental activities decreased $363,000 during the year, from $(24.1) million at June 30, 2019 to $(24.5) million at June 30, 2020, indicating a decline in the financial condition of the Board. Restricted net position decreased $279,000 while unrestricted net position increased $881,000 over the prior year. Net investment in capital assets decreased $965,000 due to an excess of depreciation expense over capital additions for the year.

The net position of the Board's business-type activities increased $64,000 during the year. This increase is the net profit generated by our school food service operations during the 2020 fiscal year. The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Revenues:						
Program revenues:						
Charges for services	$ 896,308	$ 1,118,612	$ 321,706	$ 471,053	$ 1,218,014	$ 1,589,665
Operating grants and contributions	33,636,634	33,087,650	2,289,759	2,292,597	35,926,393	35,380,247
Capital grants and contributions	347,429	366,147	-	-	347,429	366,147
General revenues:						
County appropriations	5,738,361	5,686,692	-	-	5,738,361	5,686,692
State appropriations	710,840	810,805	-	-	710,840	810,805
Federal appropriations	-	25,887	-	-	-	25,887
Other revenues	640,890	756,791	93	95	640,983	756,886
Total revenues	41,970,462	41,852,584	2,611,558	2,763,745	44,582,020	44,616,329
Expenses:						
Governmental activities:						
Instructional services	32,304,140	31,489,321	-	-	32,304,140	31,489,321
System-wide support services	8,352,086	8,490,415	-	-	8,352,086	8,490,415
Ancillary services	120,898	17,265	-	-	120,898	17,265
Non-programmed changes	183,516	96,012	-	-	183,516	96,012
Unallocated depreciation	1,260,086	1,227,344	-	-	1,260,086	1,227,344
Business-type activities:						
School food service	-	-	2,659,969	2,782,692	2,659,969	2,782,692
Total expenses	42,220,726	41,320,357	2,659,969	2,782,692	44,880,695	44,103,049
Excess (deficiency) before transfers	(250,264)	532,227	(48,411)	(18,947)	(298,675)	513,280
Transfers in (out)	(112,775)	(86,125)	112,775	86,125	-	-
Increase (decrease) in net position	(363,039)	446,102	64,364	67,178	(298,675)	513,280
Beginning net position (deficit)	(24,102,105)	(24,548,207)	(1,554,246)	(1,621,424)	(25,656,351)	(26,169,631)
Ending net position (deficit)	$ (24,465,144)	$ (24,102,105)	$ (1,489,882)	$ (1,554,246)	$ (25,955,026)	$ (25,656,351)

Total governmental activities generated revenues of $42.0 million while expenses in this category totaled $42.2 million for the year ended June 30, 2020, resulting in a decrease in net position of $363,000 (including transfers to business-type activities of $113,000). Comparatively, revenues were $41.9 million, expenses totaled $41.3 million and transfers out were $86,000 for the year ended June 30, 2019, resulting in an increase in net position of $446,000. In comparing the two years, revenues increased $118,000, or 0.3%, while expenses increased by $900,000, or 2.2%. Overall, revenues and expenses were comparable over the two-year period.

The Board's primary sources of revenues were funding from the State of North Carolina, Montgomery County, and the United States Government, which respectively comprised 69.8%, 13.7% and 10.8% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 76.5% of our total expenses during the most recent fiscal year. Of the remaining 23.5% of our total expenses, 19.8% was attributable to system-wide support services.

Our business-type activities generated revenues of $2.6 million while expenses in this category totaled $2.7 million for the year ended June 30, 2020. For the year, net position increased by $64,000 (including transfers in of $113,000). Comparatively, revenues were $2.8 million and expenses were $2.8 million for the year ended June 30, 2019, resulting in an increase in net position of $67,000 (including transfers in of $86,000). In comparing the two years, revenues from food sales decreased significantly as a result of the early school closure for the COVID-19 pandemic which resulted in fewer meals being served for the year. Salaries and benefits and food costs also decreased as a result of the early school closure.

Financial Analysis of the Board's Funds

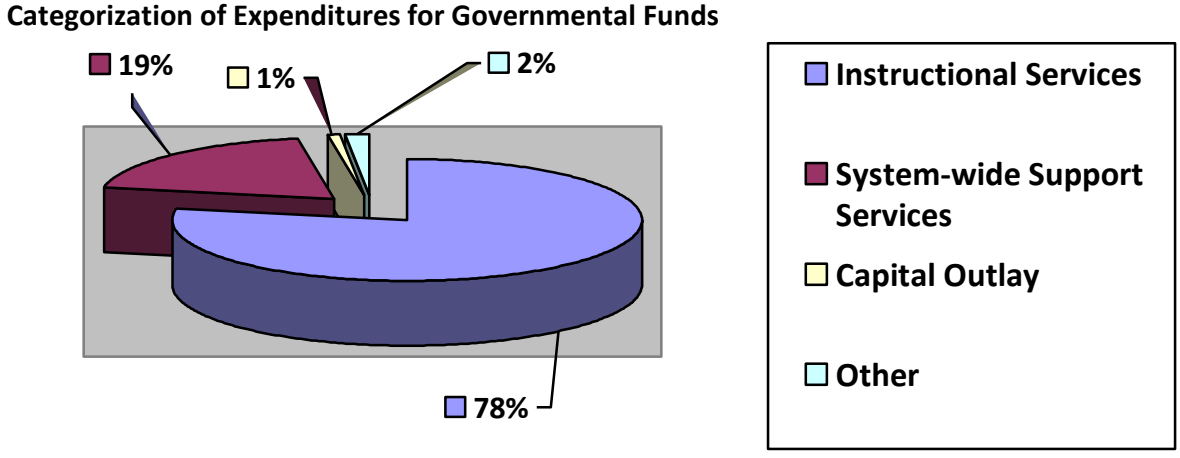
Governmental Funds: The focus of Montgomery County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of $4.5 million at June 30, 2020, an increase of $166,000 over the $4.4 million reported at June 30, 2019. The Board's General Fund reported an increase in fund balance for the 2019-2020 year while the Other Special Revenue, Capital Outlay and Individual Schools funds each reported decreases in fund balance.

The General Fund reported a increase in fund balance of $437,000 (including the change in reserve for inventories) for the year ended June 30, 2020 compared to a decrease of $108,000 in the prior year. The change is primarily attributable to a $359,000 transfer from the Capital Outlay Fund received in the 2019-2020 year. This amount was basically a reimbursement of funds transferred by the General Fund to the Capital Outlay Fund during the 2017-2018 year to help fund the new wing at East Middle School. The Capital Outlay Fund reported a decrease in fund balance for the current year of $168,000 compared to an increase of $260,000 in the 2019 year. The year-over-year change is largely due to the transfer of $359,000 to the General Fund during the 2019-2020 year.

The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these two funds are required to be expended in the year received.

Overall, total governmental fund revenues and expenditures remained comparable in 2020 compared to 2019. Revenues increased by $143,000, or 0.3%, while total expenditures increased by $269,000, or 0.7%, over the prior year.



Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported an increase in net position of $64,000 for the fiscal year ended June 30, 2020 compared to a increase of $67,000 for the same 2019 period. See the section above titled *Financial Analysis of the Board as a Whole* for more discussion regarding School Food Service Fund operating results for the year.

General Fund Budgetary Highlights

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. However, during the year ended June 30, 2020, no significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year. Due to the timing of some revenues and expenditures being less predictable than others, differences sometimes exist between the final budgeted and actual amounts. Variances between actual expenditures and final budget amounts relate to conservative budgeting practices and cost containment strategies.

Capital Assets

Total primary government capital assets were $36.1 million at June 30, 2020 compared to $37.3 million at June 30, 2019, a decrease of 3.4%. More detailed information about the Board's capital assets is contained in Note 2.A.4 to the financial statements. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2020 and 2019:

Table 3
Summary of Capital Assets
As of June 30, 2020 and 2019

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/20	6/30/19	6/30/20	6/30/19	6/30/20	6/30/19
Land	$ 568,931	$ 568,931	$ -	$ -	$ 568,931	$ 568,931
Construction in progress	-	2,859,424	-	-	-	2,859,424
Buildings and improvements	33,972,688	32,229,638	-	-	33,972,688	32,229,638
Equipment and furniture	88,831	124,337	40,366	72,001	129,197	196,338
Vehicles	1,382,608	1,453,949	-	-	1,382,608	1,453,949
Total	$ 36,013,058	$ 37,236,279	$ 40,366	$ 72,001	$ 36,053,424	$ 37,308,280

Debt Outstanding

During the year, the Board's long-term debt decreased $259,000 to $175,000 at June 30, 2020. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in Note 2.B.6 to the financial statements.

Economic Factors

County funding is a major source of income for the Board; therefore the County's economic outlook directly affects the school district. The following factors have affected the economic outlook of Montgomery County:

- As of June 30, 2020, Montgomery County experienced an unemployment rate of approximately 6.6% as compared to an unemployment rate of approximately 4.7% at June 30, 2019. Montgomery County's unemployment rate is lower than the June 30, 2020 State of N.C. and national unemployment rates which were 7.7% and 11.2%, respectively.

- Due to limited regional growth, the Board expects enrollment to remain consistent for the next year.

- **Impact of Coronavirus on District** - During the fiscal year, the State and nation were affected by the spread of a coronavirus. The Board's response to the virus included the closure of school educational facilities in mid-March. From this time until the end of the year, educational services were provided remotely to all students. The Board incurred additional expenses as a result of the coronavirus, including the purchase of personal protective equipment and delivery expenses attributable to the delivery of lunches to students when the educational facilities were closed.

Requests for Information

This report is intended to provide a summary of the financial condition of Montgomery County Board of Education. Questions or requests for additional information should be addressed to:

Mitch Taylor, Chief Financial Officer
Montgomery County Board of Education
Post Office Box 427
Troy, NC 27371-0427

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 1***
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 4,263,760	$ 655,895	$ 4,919,655
Due from other governments	430,115	135,315	565,430
Receivables	115,075	1,139	116,214
Internal balances	53,299	(53,299)	-
Net OPEB asset	53,491	1,944	55,435
Inventories	113,397	108,183	221,580
Capital assets:			
Land	568,931	-	568,931
Other capital assets, net of depreciation	35,444,127	40,366	35,484,493
Total capital assets	36,013,058	40,366	36,053,424
Total assets	41,042,195	889,543	41,931,738
Deferred Outflows of Resources	10,569,281	384,022	10,953,303
Liabilities			
Accounts payable and accrued expenses	128,832	-	128,832
Accrued salaries and wages payable	309,870	-	309,870
Due to other governments	13,391	-	13,391
Unearned revenue	-	18,868	18,868
Long-term liabilities:			
Due within one year	1,157,279	38,287	1,195,566
Due in more than one year	55,117,732	2,003,249	57,120,981
Total liabilities	56,727,104	2,060,404	58,787,508
Deferred Inflows of Resources	19,349,516	703,043	20,052,559
Net position			
Net investment in capital assets	35,838,485	40,366	35,878,851
Restricted for:			
Stabilization by State statute	316,108	-	316,108
School capital outlay	370,813	-	370,813
Individual schools activities	422,206	-	422,206
DIPNC OPEB plan	154,008	5,596	159,604
Unrestricted (deficit)	(61,566,764)	(1,535,844)	(63,102,608)
Total net position (deficit)	$ (24,465,144)	$ (1,489,882)	$ (25,955,026)

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION **Exhibit 2**
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	$ 17,660,622	$ -	$ 18,065,319	$ -	$ 404,697	$ -	$ 404,697
Special populations	4,167,118	-	4,529,078	-	361,960	-	361,960
Alternative programs	3,592,625	-	2,281,348	-	(1,311,277)	-	(1,311,277)
School leadership	2,991,922	-	2,467,875	-	(524,047)	-	(524,047)
Co-curricular	1,259,481	896,308	-	-	(363,173)	-	(363,173)
School-based support	2,632,372	-	2,102,687	-	(529,685)	-	(529,685)
System-wide support services:							
Support and development	457,958	-	325,160	-	(132,798)	-	(132,798)
Special population support and development	271,114	-	165,433	-	(105,681)	-	(105,681)
Alternative programs and services support and development	176,327	-	48,141	-	(128,186)	-	(128,186)
Technology support	269,977	-	148,517	-	(121,460)	-	(121,460)
Operational support	5,286,548	-	2,616,478	347,429	(2,322,641)	-	(2,322,641)
Financial and human resource services	971,857	-	372,497	-	(599,360)	-	(599,360)
Accountability	119,132	-	119,430	-	298	-	298
System-wide pupil support	235,654	-	4,500	-	(231,154)	-	(231,154)
Policy, leadership and public relations	563,519	-	178,960	-	(384,559)	-	(384,559)
Ancillary services	120,898	-	120,898	-	-	-	-
Payments to other governments	183,516	-	90,313	-	(93,203)	-	(93,203)
Unallocated depreciation expense**	1,260,086	-	-	-	(1,260,086)	-	(1,260,086)
Total governmental activities	42,220,726	896,308	33,636,634	347,429	(7,340,355)	-	(7,340,355)
Business-type activities:							
School food service	2,659,969	321,706	2,289,759	-	-	(48,504)	(48,504)
Total primary government	$ 44,880,695	$ 1,218,014	$ 35,926,393	$ 347,429	(7,340,355)	(48,504)	(7,388,859)
General revenues:							
Unrestricted county appropriations - operating					5,329,824	-	5,329,824
Unrestricted county appropriations - capital					408,537	-	408,537
Unrestricted State appropriations - operating					710,840	-	710,840
Investment earnings, unrestricted					28,799	93	28,892
Miscellaneous, unrestricted					612,091	-	612,091
Total general revenues					7,090,091	93	7,090,184
Transfers					(112,775)	112,775	-
Total general revenues and transfers					6,977,316	112,868	7,090,184
Change in net position					(363,039)	64,364	(298,675)
Net position (deficit) - beginning					(24,102,105)	(1,554,246)	(25,656,351)
Net position (deficit) - ending					$ (24,465,144)	$ (1,489,882)	$ (25,955,026)

**This amount excludes the depreciation that is included in the direct expenses of the various programs.

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 3***

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	Major Funds					Non-major Fund	
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 3,058,983	$ 13,391	$ -	$ 398,367	$ 370,813	$ 422,206	$ 4,263,760
Due from other governments	11,095	261,722	20,659	136,639	-	-	430,115
Accounts receivable	-	-	-	115,075	-	-	115,075
Due from other funds	53,299	-	-	-	-	-	53,299
Inventories	113,397	-	-	-	-	-	113,397
Total assets	$ 3,236,774	$ 275,113	$ 20,659	$ 650,081	$ 370,813	$ 422,206	$ 4,975,646
Liabilities and Fund balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 123,412	$ -	$ -	$ 5,420	$ -	$ -	$ 128,832
Accrued salaries and wages payable	-	261,722	20,659	27,489	-	-	309,870
Due to other governments	-	13,391	-	-	-	-	13,391
Total liabilities	123,412	275,113	20,659	32,909	-	-	452,093
Fund balances:							
Nonspendable:							
Inventories	113,397	-	-	-	-	-	113,397
Restricted:							
Stabilization by State statute	64,394	-	-	251,714	-	-	316,108
School capital outlay	-	-	-	-	370,813	-	370,813
Individual schools	-	-	-	-	-	422,206	422,206
Assigned:							
Subsequent year's expenditures	983,016	-	-	-	-	-	983,016
Special revenues	-	-	-	365,458	-	-	365,458
Unassigned	1,952,555	-	-	-	-	-	1,952,555
Total fund balances	3,113,362	-	-	617,172	370,813	422,206	4,523,553
Total liabilities and fund balances	$ 3,236,774	$ 275,113	$ 20,659	$ 650,081	$ 370,813	$ 422,206	$ 4,975,646

The notes to the basic financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances of governmental funds	$ 4,523,553
Net OPEB asset	53,491
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,013,058
Deferred outflows of resources related to pensions	5,992,391
Deferred outflows of resources related to OPEB	4,576,890
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(2,710,467)
Net pension liability	(14,707,133)
Net OPEB liability	(38,857,411)
Deferred inflows of resources related to pensions	(553,519)
Deferred inflows of resources related to OPEB	(18,795,997)
Net position (deficit) of governmental activities	$ (24,465,144)

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 4***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2020

	Major Funds					Non-major Fund	
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	Total Governmental Funds
Revenues:							
State of North Carolina	$ -	$ 27,515,444	$ -	$ 1,473,597	$ 347,429	$ -	$ 29,336,470
Montgomery County:							
Local current expense	5,329,824	-	-	-	-	-	5,329,824
Other	-	-	-	-	408,537	-	408,537
U.S. Government	-	123,340	3,130,196	1,284,391	-	-	4,537,927
Other	215,281	-	-	1,155,097	166,285	896,308	2,432,971
Total revenues	5,545,105	27,638,784	3,130,196	3,913,085	922,251	896,308	42,045,729
Expenditures:							
Current:							
Instructional services:							
Regular instructional	1,638,685	15,216,081	355,874	670,703	-	-	17,881,343
Special populations	9,244	3,321,476	886,029	-	-	-	4,216,749
Alternative programs	10,137	689,544	1,591,804	1,340,706	-	-	3,632,191
School leadership	246,382	2,778,904	-	-	-	-	3,025,286
Co-curricular	308,333	-	-	4,599	-	950,294	1,263,226
School-based support	120,289	1,350,709	118,784	1,064,641	-	-	2,654,423
System-wide support services:							
Support and development	33,945	309,677	15,483	105,107	-	-	464,212
Special population support and development	(1,551)	165,346	87	107,533	-	-	271,415
Alternative programs and services support and development	72,926	25,572	22,569	59,294	-	-	180,361
Technology support	-	180,549	3,861	89,947	-	-	274,357
Operational support	2,135,225	2,467,568	36,135	244,962	36,576	-	4,920,466
Financial and human resource services	427,419	610,552	-	-	-	-	1,037,971
Accountability	1,188	119,430	-	-	-	-	120,618
System-wide pupil support	54,708	-	-	181,207	-	-	235,915
Policy, leadership and public relations	391,343	169,703	9,257	-	-	-	570,303
Ancillary services	-	120,898	-	-	-	-	120,898
Non-programmed charges	-	-	90,313	93,203	-	-	183,516
Debt service - principal retirement	-	-	-	-	347,429	-	347,429
Capital outlay	-	-	-	-	436,782	-	436,782
Total expenditures	5,448,273	27,526,009	3,130,196	3,961,902	820,787	950,294	41,837,461
Revenues over (under) expenditures	96,832	112,775	-	(48,817)	101,464	(53,986)	208,268
Other financing sources (uses):							
Transfers from other funds	358,537	-	-	-	-	-	358,537
Transfers to other funds	-	(112,775)	-	-	(358,537)	-	(471,312)
Installment purchase obligations issued	-	-	-	-	88,712	-	88,712
Total other financing sources (uses)	358,537	(112,775)	-	-	(269,825)	-	(24,063)
Net change in fund balance	455,369	-	-	(48,817)	(168,361)	(53,986)	184,205
Fund balances:							
Beginning of year	2,676,043	-	-	665,989	539,174	476,192	4,357,398
Change in reserve for inventories	(18,050)	-	-	-	-	-	(18,050)
End of year	$ 3,113,362	$ -	$ -	$ 617,172	$ 370,813	$ 422,206	$ 4,523,553

The notes to the basic financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	$ 184,205
Change in fund balance due to change in reserve for inventory	(18,050)
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 depreciation exceeded capital outlays in the current period.	(1,223,221)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,890,352
Contributions to the OPEB plans in the current fiscal year are not included on the statement of activities	1,464,119
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 has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	258,717
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.	
Pension (expense) benefit	(5,147,865)
Net OPEB (expense) benefit	1,183,568
Compensated absences	45,136
Total change in net position of governmental activities	$ (363,039)

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	5,343,000	5,343,000	5,329,824	(13,176)
U.S. Government	-	-	-	-
Other	320,000	320,000	215,281	(104,719)
Total revenues	5,663,000	5,663,000	5,545,105	(117,895)
Expenditures:				
Current:				
Instructional services	3,007,263	3,415,800	2,333,070	1,082,730
System-wide support services	3,636,753	3,636,753	3,115,203	521,550
Ancillary services	2,000	2,000	-	2,000
Non-programmed charges	-	-	-	-
Total expenditures	6,646,016	7,054,553	5,448,273	1,606,280
Revenues over (under) expenditures	(983,016)	(1,391,553)	96,832	1,488,385
Other financing sources (uses):				
Transfers from other funds	-	408,537	358,537	(50,000)
Transfers to other funds	(535,000)	(535,000)	-	535,000
Fund balance appropriated	1,518,016	1,518,016	-	(1,518,016)
Net change in fund balance	$ -	$ -	455,369	$ 455,369
Fund balances:				
Beginning of year			2,676,043	
Change in reserve for inventories			(18,050)	
End of year			$ 3,113,362	

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6 (continued)***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2020

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	$ 26,145,098	$ 27,888,495	$ 27,515,444	$ (373,051)
Montgomery County	-	-	-	-
U.S. Government	-	123,340	123,340	-
Other	-	-	-	-
Total revenues	26,145,098	28,011,835	27,638,784	(373,051)
Expenditures:				
Current:				
Instructional services	22,419,240	23,457,779	23,356,714	101,065
System-wide support services	3,628,387	4,149,726	4,048,397	101,329
Ancillary services	-	291,555	120,898	170,657
Non-programmed charges	-	-	-	-
Total expenditures	26,047,627	27,899,060	27,526,009	373,051
Revenues over (under) expenditures	97,471	112,775	112,775	-
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(97,471)	(112,775)	(112,775)	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			-	
End of year			$ -	

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6 (continued)***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2020

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	-	-	-	-
U.S. Government	2,310,173	4,972,629	3,130,196	(1,842,433)
Other	-	-	-	-
Total revenues	2,310,173	4,972,629	3,130,196	(1,842,433)
Expenditures:				
Current:				
Instructional services	2,112,220	4,537,275	2,952,491	1,584,784
System-wide support services	85,327	274,724	87,392	187,332
Ancillary services	-	-	-	-
Non-programmed charges	112,626	160,630	90,313	70,317
Total expenditures	2,310,173	4,972,629	3,130,196	1,842,433
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			-	
End of year			$ -	

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6 (continued)***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2020

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
State of North Carolina	$ 1,485,992	$ 1,542,186	$ 1,473,597	$ (68,589)
Montgomery County	-	-	-	-
U.S. Government	353,861	1,858,973	1,284,391	(574,582)
Other	904,900	1,317,821	1,155,097	(162,724)
Total revenues	2,744,753	4,718,980	3,913,085	(805,895)
Expenditures:				
Current:				
Instructional services	2,577,963	3,586,473	3,080,649	505,824
System-wide support services	252,340	923,822	788,050	135,772
Ancillary services	-	-	-	-
Non-programmed charges	-	294,235	93,203	201,032
Total expenditures	2,830,303	4,804,530	3,961,902	842,628
Revenues over (under) expenditures	(85,550)	(85,550)	(48,817)	36,733
Other financing sources (uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Fund balance appropriated	85,550	85,550	-	(85,550)
Net change in fund balance	$ -	$ -	(48,817)	$ (48,817)
Fund balances:				
Beginning of year			665,989	
Change in reserve for inventories			-	
End of year			$ 617,172	

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 7***
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2020

	Enterprise Fund Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	$ 655,895
Due from other governments	135,315
Receivables	1,139
Net OPEB asset	1,944
Inventories	108,183
Total current assets	902,476
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	40,366
Total assets	942,842
Deferred Outflows of Resources	384,022
Liabilities	
Current liabilities:	
Due to other funds	53,299
Compensated absences	38,287
Unearned revenue	18,868
Total current liabilities	110,454
Noncurrent liabilities:	
Net pension liability	534,367
Net OPEB liability	1,411,840
Compensated absences	57,042
Total noncurrent liabilities	2,003,249
Total liabilities	2,113,703
Deferred Inflows of Resources	703,043
Net position	
Investment in capital assets	40,366
Restricted for DIPNC OPEB plan	5,596
Unrestricted (deficit)	(1,535,844)
Total net position (deficit)	$ (1,489,882)

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 8***
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2020

	Enterprise Fund Major Fund School Food Service
Operating revenues:	
Food sales	$ 319,428
Other	2,278
Total operating revenues	321,706
Operating expenses:	
Food cost:	
Purchase of food	874,571
Donated commodities	182,433
Salaries and benefits	1,362,744
Indirect costs	209,113
Materials and supplies	81,119
Repairs and maintenance	8,290
Depreciation	31,635
Contracted services	22,941
Other	20,969
Total operating expenses	2,793,815
Operating loss	(2,472,109)
Nonoperating revenues:	
Federal reimbursements	2,093,806
Federal commodities	182,433
State reimbursements	9,222
Indirect costs not paid	133,846
Interest earned	93
Contributions and donations	4,298
Total nonoperating revenues	2,423,698
Loss before transfers	(48,411)
Transfers from other funds	112,775
Change in net position	64,364
Net position (deficit), beginning of year	(1,554,246)
Net position (deficit), end of year	$ (1,489,882)

The notes to the basic financial statements are an integral part of this statement.

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 9***
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2020

	Enterprise Fund Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	$ 326,724
Cash paid for goods and services	(1,112,459)
Cash paid to employees for services	(1,353,410)
Other operating revenue	2,278
Net cash used by operating activities	(2,136,867)
Cash flows from noncapital financing activities:	
Due to other funds	53,299
Federal and State reimbursements	2,066,255
Contributions and donations	4,298
Net cash provided by noncapital financing activities	2,123,852
Cash flows from investing activities:	
Interest earned on investments	93
Net decrease in cash and cash equivalents	(12,922)
Cash and cash equivalents, beginning of year	668,817
Cash and cash equivalents, end of year	$ 655,895
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (2,472,109)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	31,635
Donated commodities	182,433
Salaries paid by special revenue fund	112,775
Indirect costs not paid	133,846
Changes in assets and liabilities:	
Increase in accounts receivable	(1,075)
Increase in net OPEB asset	(414)
Increase in inventories	(29,302)
Increase in unearned revenue	8,371
Decrease in net pension liability	(41,193)
Decrease in net OPEB liability	(10,965)
Decrease in deferred outflows	52,409
Decrease in deferred inflows	(106,640)
Increase in compensated absences payable	3,362
Total adjustments	335,242
Net cash used by operating activities	$ (2,136,867)

The notes to the basic financial statements are an integral part of this statement.

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of $182,433 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

Indirect costs of $133,846 that would be due to the Other Special Revenue Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The State Public School Fund paid salaries and benefits of $112,775 to personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Montgomery County Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Montgomery County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Montgomery County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. These statements distinguish between the *governmental* and *business-type activities* of the Board. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Board and for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Interfund services provided and used are not eliminated in the process of consolidation.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. All expenses are considered to be operating expenses.

The Board reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Board. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is the "Local Current Expense Fund," which is mandated by State law [G.S. 115C-426].

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for the current operating expenditures of the public school system.

Federal Grants Fund. The Federal Grants Fund includes appropriations from the U.S. Government for the current operating expenditures of the public school system.

Other Special Revenue Fund. The Other Special Revenue Fund is used to account for revenues from reimbursements, including indirect costs, fees for actual costs, tuition, sales tax refunds, gifts and grants restricted as to use, federal and State grants restricted as to use, federal and State appropriations made directly to local school administrative units, funds received for prekindergarten programs and special programs.

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Montgomery County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds as well as certain State assistance.

The Board reports the following nonmajor governmental fund:

Individual Schools Fund. The Individual Schools Fund includes revenues and expenditures of the activity funds of the individual schools. The primary revenue sources include funds held on the behalf of various clubs and organizations, receipts from athletic events, and proceeds from various fundraising activities. The primary expenditures are for athletic teams, club programs, activity buses, and instructional needs.

The Board reports the following major enterprise fund:

School Food Service Fund. The School Food Service Fund is used to account for the food service program within the school system.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the 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 Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. Any revisions that alter the total expenditures of any fund or require a transfer between purpose codes within a fund must be approved by the Board of Education prior to any expenditures being made. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Board are made in board-designated official depositories and are secured as required by State law [G.S. 115C-444]. The Board may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit. The Board also has money credited in its name with the State Treasurer and may issue State warrants against these funds.

State law [G.S. 115C-443] authorizes the Board 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; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

The Board's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits are measured at amortized cost. The NCCMT is reported at fair value. Ownership interest of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is classified as nonspendable. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

Donated assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

For capital assets utilized in governmental activities, it is the policy of the Board to capitalize those assets costing more than $5,000 with an estimated useful life of two or more years, while for capital assets utilized in business-type activities, it is the policy of the Board to capitalize those assets costing more than $500 with an estimated useful life of two or more years. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives is not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	20 - 50
Equipment and furniture	3 - 10
Vehicles	6 - 15

Depreciation for assets that serve multiple purposes cannot be allocated ratably and is therefore reported as “unallocated depreciation” on the Statement of Activities.

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial 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 and so will not be recognized as an expense or expenditure until then. The Board has two items that meet this criterion – pension and other post-employment benefit-related deferrals. The statement of financial position also reports 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 a future period and so will not be recognized as revenue until then. The Board has two items that meet this criterion – pension and other post-employment benefit-related deferrals.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

7. Compensated Absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and the salary-related payments as of June 30, 2020 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years’ records of the current portion of compensated absences.

The sick leave policy of the Board 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 used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Net Position/Fund Balances

Net Position
Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments, or imposed by law through State statute.

Fund Balances
In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted fund balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute for amounts owed to the district at year end [G.S. 115C-425(a)]. The restriction will be released as of the beginning of the subsequent fiscal year following collection of the amounts owed to the district.

Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]

Restricted for instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.

Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they were collected.

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes. The assignment of fund balance is governed by NC General Statutes. The Board of Education is authorized to approve appropriations of fund balance in accordance with restrictions established by NC General Statutes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted. The Board of Education approves the appropriation.

Special revenues – portion of fund balance that represents the residual amount of revenues from certain grants, reimbursements, indirect costs and other financial resources in excess of related expenditures that will be used for instructional services, system-wide support services, ancillary services or non-programmed charges, as determined by the Board of Education.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in

other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will pay expenditures from restricted revenue sources first and then from general unrestricted revenues. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

9. Reconciliation of Government-wide 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. The net adjustment of $(28,988,697) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$ 76,619,889
Less accumulated depreciation	(40,606,831)
Net capital assets	36,013,058
Net OPEB asset	53,491
Deferred outflows of resources related to pensions	5,992,391
Deferred outflows of resources related to OPEB	4,576,890
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(174,573)
Compensated absences	(2,535,894)
Net pension liability	(14,707,133)
Net OPEB liability	(38,857,411)
Deferred inflows of resources related to pensions	(553,519)
Deferred inflows of resources related to OPEB	(18,795,997)
Total adjustment	$ (28,988,697)

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of $(547,244) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 261,735
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements	(1,484,956)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(88,712)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	347,429
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,890,352
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,464,119
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension (expense) benefit	(5,147,865)
Net OPEB (expense) benefit	1,183,568
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	45,136
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(18,050)
Total adjustment	$ (547,244)

10. Defined Benefit Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health Benefit Fund (RHBF), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBF, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBF, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBF, and DIPNC. Investments are reported at fair value.

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2020, the Board had deposits with banks and savings and loans with a carrying amount of $3,360,264 and with the State Treasurer of $13,391. The bank balances with the financial institutions and the State Treasurer were $3,659,570 and $170,369, respectively. Of these balances, $926,727 was covered by federal depository insurance and $2,903,212 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2020, the Board had $1,546,000 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2020. The Board has no investment balances in the NCCMT as of June 30, 2020. The Board has no policy for managing interest rate risk or credit risk. All investments are measured using the market approach. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2020 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	$ 53,299	$ 11,095	$ -	$ 64,394
Other governmental activities	-	419,020	115,075	534,095
Total governmental activities	$ 53,299	$ 430,115	$ 115,075	$ 598,489
Business-type activities:				
School Food Service Fund	$ (53,299)	$ 135,315	$ 1,139	$ 83,155

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	$ 261,722	Operating funds from DPI
Federal Grants Fund	20,659	Federal grant funds
General Fund	11,095	Amounts due from County
Other Special Revenue Fund	136,639	Federal and State grant funds and reimbursements
Total	$ 430,115	
Business-type activities:		
School Food Service Fund	$ 135,315	Federal grant funds

4. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 568,931	$ -	$ -	$ 568,931
Construction in progress	2,859,424	108,206	2,967,630	-
Total capital assets not being depreciated	3,428,355	108,206	2,967,630	568,931
Capital assets being depreciated:				
Buildings and improvements	65,128,860	2,967,630	-	68,096,490
Equipment and furniture	1,169,571	-	-	1,169,571
Vehicles	6,631,368	153,529	-	6,784,897
Total capital assets being depreciated	72,929,799	3,121,159	-	76,050,958
Less accumulated depreciation for:				
Buildings and improvements	32,899,222	1,224,580	-	34,123,802
Equipment and furniture	1,045,234	35,506	-	1,080,740
Vehicles	5,177,419	224,870	-	5,402,289
Total accumulated depreciation	39,121,875	1,484,956	-	40,606,831
Total capital assets being depreciated, net	33,807,924			35,444,127
Governmental activity capital assets, net	$ 37,236,279			$ 36,013,058
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	$ 1,317,812	$ -	$ 1,885	$ 1,315,927
Vehicles	23,986	-	-	23,986
Total capital assets being depreciated	1,341,798	-	1,885	1,339,913
Less accumulated depreciation for:				
Equipment and furniture	1,245,811	31,635	1,885	1,275,561
Vehicles	23,986	-	-	23,986
Total accumulated depreciation	1,269,797	31,635	1,885	1,299,547
School Food Service capital assets, net	$ 72,001			$ 40,366

Depreciation was charged to governmental functions as follows:

System-wide support services	$ 224,870
Unallocated depreciation	1,260,086
Total	$ 1,484,956

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS 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 Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. 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. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% 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. General employee 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. General employee 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. 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.

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2020, was 12.97% of covered payroll, 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 Board were $2,995,370 for the year ended June 30, 2020.

Refunds of Contributions – Board employees who have terminated service as a contributing member of TSERS, 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 TSERS.

At June 30, 2020, the Board reported a liability of $15,241,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board'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 TSERS employers, actuarially determined. At June 30, 2019 and 2018, the Board's proportion was 0.1470% and 0.1587%, respectively.

For the year ended June 30, 2020, the Board recognized pension expense of $5,324,548. At June 30, 2020, the Board 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	$ 1,274,934	$ 30,513
Changes of assumptions	1,624,042	-
Net difference between projected and actual earnings on pension plan investments	292,158	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	23,614	543,118
Board contributions subsequent to the measurement date	2,995,370	-
Total	$ 6,210,118	$ 573,631

$2,995,370 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	$ 2,051,941
2022	375,878
2023	111,095
2024	102,203
Total	$ 2,641,117

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, 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, 2018 valuation were based on the results of an actuarial experience study prepared as of December 31, 2014 and adopted by the Board of Trustees on January 21, 2016.

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability reported at June 30, 2020 and 2019 was 7.00% for both years. 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 Board's proportionate share of the net pension asset to changes in the discount rate. The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability (asset)	$ 8,815	$ 15,241,500	$ 3,692,478

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

b. Other Postemployment Benefits

1. Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan. The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at https://www.osc.nc.gov/public-information/reports.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully-insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the

University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium.

Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also, by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.47% of covered payroll which amounted to $1,494,221.

At June 30, 2020, the Board reported a liability of $40,269,251 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019 and 2018, the Board's proportion was 0.1273% and 0.1371%, respectively.

$1,494,221 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	$ (4,627,083)
2022	(4,627,083)
2023	(4,623,206)
2024	(2,122,520)
2025	(334,241)
Total	$ (16,334,133)

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-9.50%
Healthcare cost trend rate -Medicare advantage	5.00-6.50%
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rates used to measure the total OPEB liability for the RHBF at June 30, 2020 and 2019 were 3.50% and 3.87%, respectively. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.50% was used as the discount rate used to measure the total OPEB liability. The 3.50% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2019.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50 percent) or 1-percentage point higher (4.50 percent) than the current discount rate:

	1% decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	$ 47,856,217	$ 40,269,251	$ 34,197,038

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

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-8.50%, Medicare Advantage - 4.00-5.50%, Administrative - 2.00%)	Healthcare Trend Rates (Medical -5.00-6.50%, Pharmacy - 5.00-9.50%, Medicare Advantage - 5.00-6.50%, Administrative - 3.00%)	1% increase (Medical -6.00-7.50%, Pharmacy - 6.00-10.50%, Medicare Advantage - 6.00-7.50%, Administrative - 4.00%)
Net OPEB liability	$ 33,159,921	$ 40,269,251	$ 49,620,390

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

2. Disability Benefits

Plan description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at https://www.osc.nc.gov/public-information/reports.

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2020, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $23,095 for the year ended June 30, 2020.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

At June 30, 2020, the Board reported an asset of $55,435 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2019 and 2018, the Board's proportion was 0.1285% and 0.1382%, respectively.

$23,095 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	$ 25,932
2022	17,563
2023	13,266
2024	8,895
2025	11,679
Thereafter	3,739
Total	$ 81,074

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	3.00%
Salary increases	3.5%-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	3.75%, net of OPEB plan expense, including inflation

Sensitivity of the Board's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB asset, as well as what the District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (2.75 percent) or 1-percentage point higher (4.75 percent) than the current discount rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	$ 46,952	$ 55,435	$ 63,678

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2019. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2010 through December 31, 2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2020:

	RHBF	DIPNC	Total
OPEB expense (benefit)	$ (1,364,869)	$ 56,030	$ (1,308,839)
OPEB liability	40,269,251	-	40,269,251
OPEB asset	-	55,435	55,435
Proportionate share of the net OPEB liability or asset	0.1273%	0.1285%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ -	$ 56,631	$ 56,631
Changes of assumptions	1,935,530	6,141	1,941,671
Net difference between projected and actual earnings on plan investments	26,816	10,559	37,375
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,176,762	13,430	1,190,192
Board contributions subsequent to the measurement date	1,494,221	23,095	1,517,316
Total deferred outflows of resources	$ 4,633,329	$ 109,856	$ 4,743,185
Deferred Inflows of Resources:			
Differences between expected and actual experience	2,030,078	-	2,030,078
Changes of assumptions	12,106,702	5,687	12,112,389
Changes in proportion and differences between Board contributions and proportionate share of contributions	5,336,461	-	5,336,461
Total deferred inflows of resources	$ 19,473,241	$ 5,687	$ 19,478,928

2. Accounts Payable

Accounts payable as of June 30, 2020 are as follows:

	Vendors and Other	Salaries and Benefits	Total
Governmental activities:			
General Fund	$ 123,412	$ -	$ 123,412
Other governmental activities	5,420	309,870	315,290
Total governmental activities	$ 128,832	$ 309,870	$ 438,702

3. Unearned Revenues

The balance in unearned revenues at year-end is composed of the following elements:

Business-type activities:	
Prepayments of meals (School Food Service Fund)	$ 18,868

4. Deferred Outflows and Inflows of Resources

The balances in deferred outflows and inflows of resources at year-end are composed of the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,331,565	$ 2,060,591
Changes of assumptions	3,565,713	12,112,389
Net difference between projected and actual earnings on pension and OPEB plan investments	329,533	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,213,806	5,879,579
Board contributions subsequent to the measurement date	4,512,686	-
Total	$ 10,953,303	$ 20,052,559

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of $1,000,000 each claim made / $3,150,000 coverage period aggregate. The Trust is reinsured through commercial companies for losses in excess of $150,000 per claim for errors and omissions and general liability coverage.

Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds.

Business property insurance is purchased through a private insurer. The policy coverage insures the tangible property assets of the Board. Buildings and contents are insured on an agreed value basis. A limit of $5 million per occurrence is provided on flood and earthquake expense and a limit of $1 million per occurrence is provided on business interruption and extra expense.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits. The Board pays most of the cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for $50,000. The remaining employees that have access to funds are bonded under a blanket bond for $100,000.

The Board carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past three fiscal years.

6. Long-Term Obligations

a. Direct Placement Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third-party direct placement financing arrangements. The Board has entered into two such financing contracts for the purchase of school buses. The buses are pledged as collateral for the debt while the debt is outstanding. The original amount of the installment purchase contracts totaled $609,575. The financing contracts each require four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates. The future minimum payments of the installment purchases as of June 30, 2020 are as follows:

Year Ending June 30,	Governmental Activities Principal
2021	$ 152,395
2022	22,178
Total	$ 174,573

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2020:

	July 1, 2019	Increases	Decreases	June 30, 2020	Current Portion
Governmental activities:					
Direct placement installment purchases	$ 433,290	$ 88,712	$ 347,429	$ 174,573	$ 152,395
Net pension liability	15,221,766	-	514,633	14,707,133	-
Net OPEB liability	37,628,775	1,228,636	-	38,857,411	-
Compensated absences	2,581,030	1,619,307	1,664,443	2,535,894	1,004,884
Total	$ 55,864,861	$ 2,936,655	$ 2,526,505	$ 56,275,011	$ 1,157,279
Business-type activities:					
Net pension liability	$ 575,560	$ -	$ 41,193	$ 534,367	$ -
Net OPEB liability	1,422,805	-	10,965	1,411,840	-
Compensated absences	91,967	67,347	63,985	95,329	38,287
Total	$ 2,090,332	$ 67,347	$ 116,143	$ 2,041,536	$ 38,287

Compensated absences and the net pension and net OPEB liabilities related to governmental activities are typically liquidated by the General and other governmental funds.

C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances as of June 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	School Food Service Fund	$ 53,299

The amount owed by the School Food Service Fund to the General Fund is for salaries and benefits paid to child nutrition workers by the General Fund. The amount is expected to be paid prior to June 30, 2021.

2. Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2020 consisted of the following:

From the State Public School Fund to the School Food Service Fund for child nutrition personnel costs	$ 112,775

D. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

Total fund balance - General Fund	$ 3,113,362
Less:	
Inventories	(113,397)
Stabilization by State statute	(64,394)
Appropriated fund balance in 2020-2021 budget	(983,016)
Remaining fund balance	$ 1,952,555

NOTE 3 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2020 in the Other Special Revenue Fund consists of the following:

Medicaid reimbursement program	$ 321,573
Tuition and fees	150,123
Indirect costs allocated	167,754
Private grants and programs	439,034
Other	76,613
Total other revenues	$ 1,155,097

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Board has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS*

	2020	2019	2018	2017	2016
Board's proportion of the net pension liability (asset)	0.147%	0.159%	0.159%	0.163%	0.159%
Board's proportionate share of the net pension liability (asset)	$ 15,241,500	$ 15,797,326	$ 12,639,565	$ 14,999,766	$ 5,848,041
Board's covered payroll	$ 23,421,391	$ 23,594,889	$ 22,926,271	$ 22,728,656	$ 23,293,136
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	65.08%	66.95%	55.13%	65.99%	25.11%
Plan fiduciary net position as a percentage of the total pension liability	87.56%	87.61%	89.51%	87.32%	94.64%

	2015	2014
Board's proportion of the net pension liability (asset)	0.160%	0.162%
Board's proportionate share of the net pension liability (asset)	$ 1,875,170	$ 9,853,264
Board's covered payroll	$ 22,136,594	$ 22,658,461
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	8.47%	43.49%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

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

Note: This is a ten year schedule. However, GASB 68 was not adopted until the fiscal year ended June 30, 2015. Therefore, there are only seven years of data presented.

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,995,370	$ 2,878,489	$ 2,543,529	$ 2,288,042	$ 2,079,672
Contributions in relation to the contractually required contribution	2,995,370	2,878,489	2,543,529	2,288,042	2,079,672
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,094,603	$ 23,421,391	$ 23,594,889	$ 22,926,273	$ 22,728,656
Contributions as a percentage of covered payroll	12.97%	12.29%	10.78%	9.98%	9.15%

	2015	2014	2013	2012	2011
Contractually required contribution	$ 2,131,322	$ 1,923,670	$ 1,872,769	$ 1,697,040	$ 1,157,514
Contributions in relation to the contractually required contribution	2,131,322	1,923,670	1,872,769	1,697,040	1,157,514
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,293,136	$ 22,136,594	$ 22,482,226	$ 22,809,680	$ 23,478,980
Contributions as a percentage of covered payroll	9.15%	8.69%	8.33%	7.44%	4.93%

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH BENEFIT FUND
LAST FOUR FISCAL YEARS*

	2020	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.127%	0.137%	0.144%	0.138%
Board's proportionate share of the net OPEB liability (asset)	$ 40,269,251	$ 39,051,580	$ 47,077,718	$ 60,089,721
Board's covered payroll	$ 23,421,391	$ 23,594,889	$ 22,926,271	$ 22,728,656
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	171.93%	165.51%	205.34%	264.38%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	3.52%	2.41%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only four years of data presented.

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT FUND
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,494,221	$ 1,468,521	$ 1,427,491	$ 1,341,024	$ 1,278,416
Contributions in relation to the contractually required contribution	1,494,221	1,468,521	1,427,491	1,341,024	1,278,416
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,094,603	$ 23,421,391	$ 23,594,889	$ 22,926,273	$ 22,728,656
Contributions as a percentage of covered payroll	6.47%	6.27%	6.05%	5.81%	5.60%

	2015	2014	2013	2012	2011
Contractually required contribution	$ 1,277,373	$ 1,194,447	$ 1,191,558	$ 1,140,484	$ 1,150,470
Contributions in relation to the contractually required contribution	1,277,373	1,194,447	1,191,558	1,140,484	1,150,470
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,293,136	$ 22,136,594	$ 22,482,226	$ 22,809,680	$ 23,478,980
Contributions as a percentage of covered payroll	5.49%	5.40%	5.30%	5.00%	4.90%

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB ASSET
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST FOUR FISCAL YEARS*

	2020	2019	2018	2017
Board's proportion of the net OPEB asset	0.129%	0.138%	0.139%	0.144%
Board's proportionate share of the net OPEB asset	$ 55,435	$ 41,983	$ 85,183	$ 89,548
Board's covered payroll	$ 23,421,391	$ 23,594,889	$ 22,926,271	$ 22,728,656
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.24%	0.18%	0.37%	0.39%
Plan fiduciary net position as a percentage of the total OPEB asset	113.00%	108.47%	116.23%	116.06%

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

Note: This is a ten year schedule. However, GASB 75 was not adopted until the fiscal year ended June 30, 2018. Therefore, there are only four years of data presented.

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOARD CONTRIBUTIONS
DISABILITY INCOME PLAN OF NORTH CAROLINA
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016
Contractually required contribution	$ 23,095	$ 32,790	$ 33,033	$ 87,709	$ 93,598
Contributions in relation to the contractually required contribution	23,095	32,790	33,033	87,709	93,598
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,094,603	$ 23,421,391	$ 23,595,000	$ 23,081,316	$ 22,828,780
Contributions as a percentage of covered payroll	0.10%	0.14%	0.14%	0.38%	0.41%

	2015	2014	2013	2012	2011
Contractually required contribution	$ 95,396	$ 97,325	$ 98,922	$ 118,610	$ 122,091
Contributions in relation to the contractually required contribution	95,396	97,325	98,922	118,610	122,091
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,267,317	$ 22,119,318	$ 22,482,226	$ 22,809,680	$ 23,478,980
Contributions as a percentage of covered payroll	0.41%	0.44%	0.44%	0.52%	0.52%

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Montgomery County:			
County appropriation	$ 5,199,000	$ 5,199,000	$ -
Teacher supplements	50,000	50,000	-
CIS reimbursement	25,000	25,000	-
Timber receipts	69,000	55,824	(13,176)
Total Montgomery County	5,343,000	5,329,824	(13,176)
Other:			
Fines and forfeitures	290,000	186,482	(103,518)
Interest earned on investment	25,000	28,799	3,799
Refunds and reimbursements	5,000	-	(5,000)
Total other	320,000	215,281	(104,719)
Total revenues	5,663,000	5,545,105	(117,895)
Expenditures:			
Current:			
Instructional services:			
Regular instructional		1,638,685	
Special populations		9,244	
Alternative programs		10,137	
School leadership		246,382	
Co-curricular		308,333	
School-based support		120,289	
Total instructional services	3,415,800	2,333,070	1,082,730
System-wide support services:			
Support and development		33,945	
Special population support and development		(1,551)	
Alternative programs and services support and development		72,926	
Operational support		2,135,225	
Financial and human resource services		427,419	
Accountability		1,188	
System-wide pupil support		54,708	
Policy, leadership and public relations		391,343	
Total system-wide support services	3,636,753	3,115,203	521,550
Ancillary services:			
Nutrition	2,000	-	2,000
Total expenditures	7,054,553	5,448,273	1,606,280
Revenues over (under) expenditures	(1,391,553)	96,832	1,488,385
Other financing sources (uses):			
Transfers from other funds	408,537	358,537	(50,000)
Transfers to other funds	(535,000)	-	535,000
Fund balance appropriated	1,518,016	-	(1,518,016)
Net change in fund balance	$ -	455,369	$ 455,369
Fund balance:			
Beginning of year		2,676,043	
Change in reserve for inventories		(18,050)	
End of year		$ 3,113,362	

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2020

	Revenues and Transfers in	Expenditures and Transfers out	Net change in fund balance	Fund balances June 30, 2019	Fund balances June 30, 2020
West Montgomery High	$ 112,502	$ 204,435	$ (91,933)	$ 91,933	$ -
East Montgomery High	92,593	202,781	(110,188)	111,978	1,790
Montgomery Central High	268,558	131,334	137,224	65,822	203,046
West Middle	74,933	70,022	4,911	18,331	23,242
East Middle	72,635	77,579	(4,944)	83,794	78,850
Candor Elementary	25,730	25,866	(136)	15,015	14,879
Green Ridge Elementary	41,161	41,503	(342)	16,509	16,167
Mt. Gilead Elementary	23,579	26,572	(2,993)	7,293	4,300
Page Street Elementary	40,498	33,994	6,504	8,287	14,791
Star-Biscoe Elementary	71,025	63,126	7,899	31,703	39,602
Troy Elementary	30,129	37,415	(7,286)	16,404	9,118
Montgomery Early College	42,965	35,667	7,298	9,123	16,421
Totals	$ 896,308	$ 950,294	$ (53,986)	$ 476,192	$ 422,206

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
State of North Carolina:			
State appropriations - buses	$ 347,430	$ 347,429	$ (1)
Montgomery County:			
County appropriations	408,537	408,537	-
Other:			
Miscellaneous	160,439	166,285	5,846
Total revenues	916,406	922,251	5,845
Expenditures:			
Current:			
System-wide support services:			
Operational support	44,431	36,576	7,855
Debt service:			
Principal retirement	347,430	347,429	1
Capital outlay	980,748	436,782	543,966
Total expenditures	1,372,609	820,787	551,822
Revenues over (under) expenditures	(456,203)	101,464	557,667
Other financing sources (uses):			
Transfers from other funds	535,000	-	(535,000)
Transfers to other funds	(408,537)	(358,537)	50,000
Installment purchase obligations issued	-	88,712	88,712
Total other financing sources (uses)	126,463	(269,825)	(396,288)
Fund balance appropriated	329,740	-	(329,740)
Net change in fund balance	$ -	(168,361)	$ (168,361)
Fund balance:			
Beginning of year		539,174	
End of year		$ 370,813	

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Operating revenues:			
Food sales	$ 485,000	$ 319,428	$ (165,572)
Other	2,500	2,278	(222)
Total operating revenues	487,500	321,706	(165,794)
Operating expenditures:			
Business support services:			
Purchase of food		903,873	
Donated commodities		182,433	
Salaries and benefits		1,466,185	
Indirect costs		209,113	
Materials and supplies		81,119	
Repairs and maintenance		8,290	
Contracted services		22,941	
Other		20,969	
Total operating expenditures	3,425,964	2,894,923	531,041
Operating loss	(2,938,464)	(2,573,217)	365,247
Nonoperating revenues:			
Federal reimbursements and grants	2,187,004	2,093,806	(93,198)
Federal commodities	150,000	182,433	32,433
State reimbursements	12,000	9,222	(2,778)
Indirect costs not paid	160,000	133,846	(26,154)
Interest earned	100	93	(7)
Contributions and donations	-	4,298	4,298
Total nonoperating revenues	2,509,104	2,423,698	(85,406)
Deficiency of revenues over expenditures before other financing sources and fund balance appropriated	(429,360)	(149,519)	279,841
Other financing sources:			
Transfers from other funds	87,000	112,775	25,775
Fund balance appropriated	342,360	-	(342,360)
Net change in fund balance	$ -	(36,744)	$ (36,744)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(31,635)	
Net OPEB asset		414	
Net pension liability		41,193	
Net OPEB liability		10,965	
Deferred outflows - pension and OPEB		(52,409)	
Deferred inflows - pension and OPEB		106,640	
Decrease in compensated absences payable		(3,362)	
Decrease in inventories		29,302	
Change in net position (full accrual)		$ 64,364	

INDEPENDENT AUDITORS' REPORT

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 Montgomery County Board of Education
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 the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Montgomery County Board of Education, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises the Montgomery County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Montgomery County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Montgomery County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Anderson Smith & Wike PLLC

September 11, 2020
Rockingham, North Carolina

INDEPENDENT AUDITORS' REPORT

Report On Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Montgomery County Board of Education
Troy, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Montgomery County Board of Education, North Carolina's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2020. The Montgomery County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Montgomery County Board of Education'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; 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 Montgomery County Board of Education'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 on the Montgomery County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Montgomery County Board of Education complied, in all material respects, with the 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, 2020.

Report on Internal Control Over Compliance

Management of the Montgomery County Board of Education 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, we considered the Montgomery County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Montgomery County Board of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. 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.

Anderson Smith & Wike PLLC

September 11, 2020
Rockingham, North Carolina

INDEPENDENT AUDITORS' REPORT

Report On Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

To the Montgomery County Board of Education
Troy, North Carolina

Report on Compliance for Each Major State Program

We have audited Montgomery County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2020. The Montgomery County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Montgomery County Board of Education'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 Standard*s, issued by the Comptroller General of the United States; and applicable sections 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), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Montgomery County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Montgomery County Board of Education complied, in all material respects, with the 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, 2020.

Report on Internal Control Over Compliance

Management of the Montgomery County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Montgomery County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Montgomery County Board of Education'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

September 11, 2020
Rockingham, North Carolina

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	*No*
• Significant deficiency(ies) identified?	*None Identified for Reporting*
Noncompliance material to financial statements noted?	*No*

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	*No*
• Significant deficiency(ies) identified?	*None Identified for Reporting*
Type of auditors' report issued on compliance for major federal programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	*No*

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Seamless Summer Program
10.559	Summer Food Service Program for Children
84.215	Fund for the Improvement of Education – LEARN Grant

Dollar threshold used to distinguish between Type A and Type B Programs	*$ 750,000*
Auditee qualified as low-risk auditee?	*Yes*

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2020

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified? *None Identified for Reporting*

Type of auditors' report issued on compliance for major State programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? *No*

Identification of major State programs:

Program Name
State Public School Fund

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

No findings were reported in the prior year.

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Grants:			
U.S. Department of Agriculture			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555	PRC 035	$ 182,433
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	451,305
National School Lunch Program	10.555	PRC 035	981,261
Seamless Summer Program	10.555	PRC 035	81,329
Summer Food Service Program for Children	10.559	PRC 035	518,466
Cash Assistance Subtotal			2,032,361
Total Child Nutrition Cluster			2,214,794
Fresh Fruit and Vegetable Grant	10.582	PRC 035	61,445
Total School Nutrition Program (Note 3)			2,276,239
Total U.S. Department of Agriculture			2,276,239
U.S. Department of the Treasury			
Passed-through the N.C. Office of State Management and Budget:			
N.C. Pandemic Recovery Office:			
Passed-through the N.C. Department of Public Instruction:			
Coronavirus Relief Fund	21.019		
School Nutrition		PRC 125	120,898
Home and Community WiFi		PRC 128	2,442
Total Coronavirus Relief Fund			123,340
U.S. Department of Education			
Direct Programs:			
Fund for the Improvement of Education - LEARN Grant	84.215		777,870
Safe and Drug-Free Schools and Communities - RESTORE	84.184		419,084
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 105, 115	1,346,889
Twenty-first Century Community Learning Centers	84.287	PRC 110	314,789
Supporting Effective Instruction State Grant	84.367	PRC 103	165,198
Student Support and Academic Enrichment Program	84.424	PRC 108	97,128
Language Acquisition Grant	84.365	PRC 104,111	42,428
Rural and Low Income Schools	84.358	PRC 109	76,841
CARES Act - K-12 Emergency Relief Fund	84.425	PRC 163	56,336

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Special Education Cluster:			
Grants to States - IDEA, Part B (611)	84.027	PRC 060	832,078
Special Needs Targeted Assistance	84.027	PRC 118	1,463
Special Education - Risk Pool	84.027	PRC 114	52,458
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	29,867
Preschool Targeted Assistance	84.173	PRC 119	1,446
Total Special Education Cluster			917,312
Career and Technical Education - Basic Grants to States			
Program Development	84.048	PRC 017	77,620
Total U.S. Department of Education			4,291,495
U.S. Department of Health and Human Services			
Health Resources and Services Administration			
Passed-through the N.C. Department of Public Instruction:			
Abstinence Education	93.235	PRC 101	35,655
U.S. Department of Defense			
Direct Program:			
ROTC	12.000		87,437
Total Federal Assistance			**6,814,166**
State Grants:			
N.C. Department of Public Instruction:			
Cash Assistance:			
State Public School Fund		Various	25,753,332
Vocational Education			
State Months of Employment		PRC 013	1,281,677
Program Support Funds		PRC 014	239,457
Driver Training		PRC 012	51,584
School Technology Fund		PRC 015	44,698
State COVID-19 Supplemental Funds		PRC 154	144,696
School Health Advisory Council			4,500
Cash assistance subtotal			27,519,944
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	347,429
Total N.C. Department of Public Instruction			27,867,373
N.C. Department of Agriculture:			
State Reduced Breakfast Program			9,222

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
N.C. Department of Health and Human Services:			
Division of Child Development			
Smart Start		PRC 401	145,800
N.C. Pre-Kindergarten Program		PRC 413	1,124,009
Division of Public Health			
School Nurse Funding Initiative			100,000
Total N.C. Department of Health and Human Services			1,369,809
N.C. Department of Public Safety			
Division of Juvenile Justice			
Passed-through Montgomery County Juvenile Crime Prevention Council:			
Student Assistance Program			99,288
Total State Assistance			**29,345,692**
Total Federal and State Assistance			**$ 36,159,858**

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Montgomery County Board of Education under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. 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 and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Montgomery County Board of Education, it is not intended to and does not present the financial position, changes in net assets or cash flows of Montgomery County Board of Education.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in 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.

Montgomery County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Cluster of Programs

The School Nutrition Program is clustered by the N.C. Department of Public Instruction and is treated separately for state audit requirement purposes.