MONTGOMERY COUNTY
BOARD OF EDUCATION
Troy, North Carolina

Financial Statements
For the Fiscal Year Ended
June 30, 2019

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, 2019 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, 2019, 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, 2019 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, 2019
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, 2019. 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, 2019, the Board's total government-wide net position increased by $513,000. Governmental activities net position increased by $446,000 and business-type activities net position increased by $67,000.

- Total government-wide net investment in capital assets decreased by $1.0 million, or 2.7%, from the prior year. Governmental activities net investment in capital assets decreased by $986,000 and business-type activities investment in capital assets decreased by $28,000.
- Total governmental activities restricted net position increased by $528,000, or 52.1%, over the prior year.
- The Board's total government-wide unrestricted net position at June 30, 2019 increased by $998,000 over the prior year. Governmental activities unrestricted net position increased by $903,000 while business-type activities unrestricted net position increased by $94,000 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 seventh 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 th*e 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 $25.7 million at June 30, 2019 as compared to $26.2 million as of June 30, 2018, an increase of $513,000. Following is a summary of the Statement of Net Position at June 30, 2019 and 2018:

Table 1
Condensed Statement of Net Position
As of June 30, 2019 and 2018

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Current assets	$ 4,928,154	$ 4,906,068	$ 847,834	$ 892,733	$ 5,775,988	$ 5,798,801
Capital assets	37,236,279	38,588,001	72,001	99,779	37,308,280	38,687,780
Total assets	42,164,433	43,494,069	919,835	992,512	43,084,268	44,486,581
Deferred outflows of resources	11,542,226	9,748,857	436,431	383,456	11,978,657	10,132,313
Current liabilities	1,826,987	2,044,899	50,040	47,556	1,877,027	2,092,455
Long-term liabilities	54,568,177	59,465,166	2,050,789	2,309,443	56,618,966	61,774,609
Total liabilities	56,395,164	61,510,065	2,100,829	2,356,999	58,495,993	63,867,064
Deferred inflows of resources	21,413,600	16,281,068	809,683	640,393	22,223,283	16,921,461
Net investment in capital assets	36,802,989	37,788,564	72,001	99,779	36,874,990	37,888,343
Restricted net position	1,542,270	1,014,022	7,015	6,199	1,549,285	1,020,221
Unrestricted net position (deficit)	(62,447,364)	(63,350,793)	(1,633,262)	(1,727,402)	(64,080,626)	(65,078,195)
Total net position (deficit)	$ (24,102,105)	$ (24,548,207)	$ (1,554,246)	$ (1,621,424)	$ (25,656,351)	$ (26,169,631)

The net position of the Board's governmental activities increased $446,000 during the year, from $(24.5) million at June 30, 2018 to $(24.1) million at June 30, 2019, indicating an improvement in the financial condition of the Board. Restricted net position increased $528,000 while unrestricted net position increased $903,000 over the prior year. Net investment in capital assets decreased $986,000 due to an excess of depreciation expense over capital additions for the year.

The net position of the Board's business-type activities increased $67,000 during the year. This increase is the net profit generated by our school food service operations during the 2019 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, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Revenues:						
Program revenues:						
Charges for services	$ 1,118,612	$ 1,002,059	$ 471,053	$ 461,704	$ 1,589,665	$ 1,463,763
Operating grants and contributions	33,087,650	31,332,828	2,292,597	2,317,967	35,380,247	33,650,795
Capital grants and contributions	366,147	427,702	-	-	366,147	427,702
General revenues:						
County appropriations	5,686,692	6,567,542	-	-	5,686,692	6,567,542
State appropriations	810,805	927,331	-	-	810,805	927,331
Federal appropriations	25,887	-	-	-	25,887	-
Other revenues	756,791	760,903	95	95	756,886	760,998
Total revenues	41,852,584	41,018,365	2,763,745	2,779,766	44,616,329	43,798,131
Expenses:						
Governmental activities:						
Instructional services	31,489,321	33,147,107	-	-	31,489,321	33,147,107
System-wide support services	8,490,415	8,614,814	-	-	8,490,415	8,614,814
Ancillary services	17,265	30,600	-	-	17,265	30,600
Non-programmed changes	96,012	85,223	-	-	96,012	85,223
Unallocated depreciation	1,227,344	1,219,115	-	-	1,227,344	1,219,115
Business-type activities:						
School food service	-	-	2,782,692	3,197,783	2,782,692	3,197,783
Total expenses	41,320,357	43,096,859	2,782,692	3,197,783	44,103,049	46,294,642
Excess (deficiency) before transfers	532,227	(2,078,494)	(18,947)	(418,017)	513,280	(2,496,511)
Transfers in (out)	(86,125)	(83,782)	86,125	83,782	-	-
Increase (decrease) in net position	446,102	(2,162,276)	67,178	(334,235)	513,280	(2,496,511)
Beginning net position, as previously reported	(24,548,207)	34,062,077	(1,621,424)	835,769	(26,169,631)	34,897,846
Restatement	-	(56,448,008)	-	(2,122,958)	-	(58,570,966)
Beginning net position (deficit), restated	(24,548,207)	(22,385,931)	(1,621,424)	(1,287,189)	(26,169,631)	(23,673,120)
Ending net position (deficit)	$ (24,102,105)	$ (24,548,207)	$ (1,554,246)	$ (1,621,424)	$ (25,656,351)	$ (26,169,631)

Total governmental activities generated revenues of $41.9 million while expenses in this category totaled $41.3 million for the year ended June 30, 2019, resulting in an increase in net position of $446,000 (including transfers to business-type activities of $86,000). Comparatively, revenues were $41.0 million, expenses totaled $43.1 million and transfers out were $84,000 for the year ended June 30, 2018, resulting in a decrease in net position of $2.2 million.

In comparing the two years, revenues increased $834,000, or 2.0%, while expenses decreased by $1.8 million, or 4.1%. The change in revenues is primarily due to increased funding from the State Public School Fund. The overall decrease in expenses is largely attributable to a $3.2 million year-over-year decline in pension and OPEB expense. This decline was partially offset by an increase of $1.3 million in instructional and system-wide support services expenses associated with the increased funding received in the SPSF. See the footnotes for detailed information regarding pension and OPEB-related amounts and disclosures.

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 71.5%, 13.6% and 8.6% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 76.4% of our total expenses during the most recent fiscal year. Of the remaining 23.6% of our total expenses, 20.6% was attributable to system-wide support services.

Our business-type activities generated revenues of $2.8 million while expenses in this category also totaled $2.8 million for the year ended June 30, 2019. For the year, net position increased by $67,000 (including transfers in of $86,000). Comparatively, revenues were $2.8 million and expenses were $3.2 million for the year ended June 30, 2018, resulting in a decrease in net position of $334,000 (including transfers in of $84,000). In comparing the two years, revenues were comparable with no significant changes. Salaries and benefits decreased by $326,000 due largely to a year-over-year decrease of $330,000 in pension and OPEB expense associated with GASB 68 and GASB 75.

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.

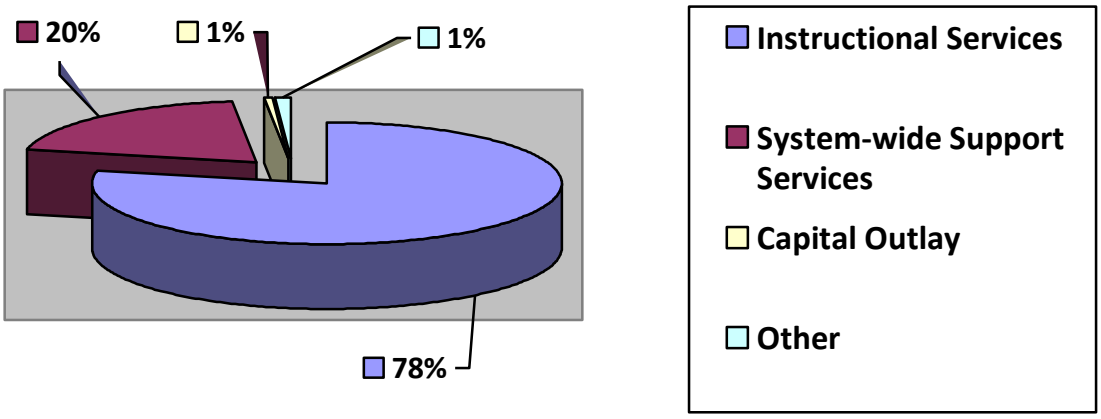
The Board's governmental funds reported a combined fund balance of $4.4 million at June 30, 2019, an increase of $224,000 over the $4.1 million reported at June 30, 2018. The Board's General and Individual Schools funds each reported a decrease in fund balance for the 2018-2019 year while the Other Special Revenue and Capital Outlay funds both reported increases.

The General Fund reported a decrease in fund balance of $108,000 (including the change in reserve for inventories) for the year ended June 30, 2019 compared to a decrease of $822,000 in the prior year. The Other Special Revenue Fund reported an increase in fund balance of $87,000 for the year ended June 30, 2019 compared to a decrease of $542,000 in the prior year. The General Fund and Other Special Revenue Fund transferred $356,000 and $550,000, respectively, to the Capital Outlay Fund in the prior year to help fund a new wing at East Middle School. These transfers were the primary factor contributing to the year-over-year change in fund balance in each fund.

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 increased by $784,000, or 1.9%, while total expenditures decreased by $1.6 million, or 3.8%, from the prior year. The district expended $2.4 million for a new wing at East Middle School in the prior year compared to $93,000 for this project in the current year. This was the primary factor contributing to the decline in expenditures over the two year period.

Categorization of Expenditures for Governmental Funds



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 $67,000 for the fiscal year ended June 30, 2019 compared to a decrease of $334,000 for the same 2018 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, 2019, 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. During the current year, revenues from the State Public School Fund increased $1.3 million over the prior year which contributed to the district not having to use the fund balance appropriated in the General Fund. In addition, capital outlay spending was under budget resulting in the General Fund not having to transfer the budgeted funds to the Capital Outlay Fund. 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 $37.3 million at June 30, 2019 compared to $38.7 million at June 30, 2018, a decrease of 3.6%. 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, 2019 and 2018:

Table 3
Summary of Capital Assets
As of June 30, 2019 and 2018

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/19	6/30/18	6/30/19	6/30/18	6/30/19	6/30/18
Land	$ 568,931	$ 568,931	$ -	$ -	$ 568,931	$ 568,931
Construction in progress	2,859,424	2,766,820	-	-	2,859,424	2,766,820
Buildings and improvements	32,229,638	33,404,752	-	-	32,229,638	33,404,752
Equipment and furniture	124,337	176,567	72,001	99,779	196,338	276,346
Vehicles	1,453,949	1,670,931	-	-	1,453,949	1,670,931
Total	$ 37,236,279	$ 38,588,001	$ 72,001	$ 99,779	$ 37,308,280	$ 38,687,780

Debt Outstanding

During the year, the Board's long-term debt decreased $366,000 to $433,000 at June 30, 2019. 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, 2019, Montgomery County experienced an unemployment rate of approximately 4.7% as compared to an unemployment rate of approximately 4.2% at June 30, 2018. Montgomery County's unemployment rate is slightly higher than the June 30, 2019 State of N.C. and national unemployment rates which were 4.4% and 3.8%, respectively.
- Due to limited regional growth, the Board expects enrollment to remain consistent for the next year.

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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 4,151,874	$ 668,817	$ 4,820,691
Due from other governments	488,063	98,542	586,605
Receivables	116,317	64	116,381
Net OPEB asset	40,453	1,530	41,983
Inventories	131,447	78,881	210,328
Capital assets:			
Land and construction in progress	3,428,355	-	3,428,355
Other capital assets, net of depreciation	33,807,924	72,001	33,879,925
Total capital assets	37,236,279	72,001	37,308,280
Total assets	42,164,433	919,835	43,084,268
Deferred Outflows of Resources	11,542,226	436,431	11,978,657
Liabilities			
Accounts payable and accrued expenses	176,518	-	176,518
Accrued salaries and wages payable	339,841	-	339,841
Due to other governments	13,944	-	13,944
Unearned revenue	-	10,497	10,497
Long-term liabilities:			
Due within one year	1,296,684	39,543	1,336,227
Due in more than one year	54,568,177	2,050,789	56,618,966
Total liabilities	56,395,164	2,100,829	58,495,993
Deferred Inflows of Resources	21,413,600	809,683	22,223,283
Net position			
Net investment in capital assets	36,802,989	72,001	36,874,990
Restricted for:			
Stabilization by State statute	285,380	-	285,380
School capital outlay	539,174	-	539,174
Instructional services	56,000	-	56,000
Individual schools activities	476,192	-	476,192
DIPNC OPEB plan	185,524	7,015	192,539
Unrestricted (deficit)	(62,447,364)	(1,633,262)	(64,080,626)
Total net position (deficit)	$ (24,102,105)	$ (1,554,246)	$ (25,656,351)

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, 2019

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	$ 17,297,411	$ -	$ 17,976,228	$ -	$ 678,817	$ -	$ 678,817
Special populations	4,168,772	-	4,612,477	-	443,705	-	443,705
Alternative programs	3,869,786	-	2,667,606	-	(1,202,180)	-	(1,202,180)
School leadership	2,814,212	-	2,100,966	-	(713,246)	-	(713,246)
Co-curricular	1,344,417	1,117,362	-	-	(227,055)	-	(227,055)
School-based support	1,994,723	-	1,647,284	-	(347,439)	-	(347,439)
System-wide support services:							
Support and development	424,416	-	264,699	-	(159,717)	-	(159,717)
Special population support and development	266,739	-	176,098	-	(90,641)	-	(90,641)
Alternative programs and services support and development	292,249	-	138,496	-	(153,753)	-	(153,753)
Technology support	418,745	-	217,073	-	(201,672)	-	(201,672)
Operational support	5,365,303	-	2,601,910	366,147	(2,397,246)	-	(2,397,246)
Financial and human resource services	951,600	1,250	305,484	-	(644,866)	-	(644,866)
Accountability	118,373	-	120,871	-	2,498	-	2,498
System-wide pupil support	114,513	-	-	-	(114,513)	-	(114,513)
Policy, leadership and public relations	538,477	-	159,831	-	(378,646)	-	(378,646)
Ancillary services	17,265	-	2,615	-	(14,650)	-	(14,650)
Payments to other governments	96,012	-	96,012	-	-	-	-
Unallocated depreciation expense**	1,227,344	-	-	-	(1,227,344)	-	(1,227,344)
Total governmental activities	41,320,357	1,118,612	33,087,650	366,147	(6,747,948)	-	(6,747,948)
Business-type activities:							
School food service	2,782,692	471,053	2,292,597	-	-	(19,042)	(19,042)
Total primary government	$ 44,103,049	$ 1,589,665	$ 35,380,247	$ 366,147	(6,747,948)	(19,042)	(6,766,990)
		General revenues:					
		Unrestricted county appropriations - operating			5,263,210	-	5,263,210
		Unrestricted county appropriations - capital			423,482	-	423,482
		Unrestricted State appropriations - operating			810,805	-	810,805
		Unrestricted Federal appropriation - capital			25,887	-	25,887
		Investment earnings, unrestricted			42,531	95	42,626
		Miscellaneous, unrestricted			714,260	-	714,260
		Total general revenues			7,280,175	95	7,280,270
		Transfers			(86,125)	86,125	-
		Total general revenues and transfers			7,194,050	86,220	7,280,270
		Change in net position			446,102	67,178	513,280
		Net position (deficit) - beginning			(24,548,207)	(1,621,424)	(26,169,631)
**This amount excludes the depreciation that is included in the direct expenses of the various programs.		Net position (deficit) - ending			$ (24,102,105)	$ (1,554,246)	$ (25,656,351)

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, 2019

	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	$ 2,655,267	$ 13,944	$ -	$ 467,297	$ 539,174	$ 476,192	$ 4,151,874
Due from other governments	16,763	304,400	14,600	152,300	-	-	488,063
Accounts receivable	28,029	-	-	88,288	-	-	116,317
Inventories	131,447	-	-	-	-	-	131,447
Total assets	$ 2,831,506	$ 318,344	$ 14,600	$ 707,885	$ 539,174	$ 476,192	$ 4,887,701
Liabilities and Fund balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 155,463	$ -	$ -	$ 21,055	$ -	$ -	$ 176,518
Accrued salaries and wages payable	-	304,400	14,600	20,841	-	-	339,841
Due to other governments	-	13,944	-	-	-	-	13,944
Total liabilities	155,463	318,344	14,600	41,896	-	-	530,303
Fund balances:							
Nonspendable:							
Inventories	131,447	-	-	-	-	-	131,447
Restricted:							
Stabilization by State statute	44,792	-	-	240,588	-	-	285,380
School capital outlay	-	-	-	-	539,174	-	539,174
Instructional services	-	-	-	56,000	-	-	56,000
Individual schools	-	-	-	-	-	476,192	476,192
Assigned:							
Subsequent year's expenditures	983,016	-	-	-	-	-	983,016
Special revenues	-	-	-	369,401	-	-	369,401
Unassigned	1,516,788	-	-	-	-	-	1,516,788
Total fund balances	2,676,043	-	-	665,989	539,174	476,192	4,357,398
Total liabilities and fund balances	$ 2,831,506	$ 318,344	$ 14,600	$ 707,885	$ 539,174	$ 476,192	$ 4,887,701

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

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

Total fund balances of governmental funds	$ 4,357,398
Net OPEB asset	40,453
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,236,279
Deferred outflows of resources related to pensions	8,466,241
Deferred outflows of resources related to OPEB	3,075,985
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.	(3,014,320)
Net pension liability	(15,221,766)
Net OPEB liability	(37,628,775)
Deferred inflows of resources related to pensions	(255,223)
Deferred inflows of resources related to OPEB	(21,158,377)
Net position (deficit) of governmental activities	$ (24,102,105)

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, 2019

	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	$ -	$ 28,241,499	$ -	$ 1,344,962	$ 366,147	$ -	$ 29,952,608
Montgomery County:							
Local current expense	5,263,210	-	-	-	-	-	5,263,210
Other	-	-	-	-	423,482	-	423,482
U.S. Government	-	-	2,902,501	670,386	25,887	-	3,598,774
Other	335,022	-	-	1,133,078	79,280	1,117,362	2,664,742
Total revenues	5,598,232	28,241,499	2,902,501	3,148,426	894,796	1,117,362	41,902,816
Expenditures:							
Current:							
Instructional services:							
Regular instructional	1,531,034	15,596,627	313,476	479,432	-	-	17,920,569
Special populations	1,677	3,383,868	858,566	63,973	-	-	4,308,084
Alternative programs	32,163	1,133,318	1,528,688	1,285,486	-	-	3,979,655
School leadership	463,351	2,443,844	-	-	-	-	2,907,195
Co-curricular	219,060	-	-	-	-	1,132,110	1,351,170
School-based support	51,218	1,385,232	50,387	567,001	-	-	2,053,838
System-wide support services:							
Support and development	71,124	248,984	15,715	106,425	-	-	442,248
Special population support and development	1,779	159,976	16,122	88,740	-	-	266,617
Alternative programs and services support and development	68,836	116,358	22,138	96,829	-	-	304,161
Technology support	3,492	328,618	149	99,098	-	-	431,357
Operational support	2,283,986	2,515,785	-	259,791	15,625	-	5,075,187
Financial and human resource services	441,516	559,697	998	-	-	-	1,002,211
Accountability	1,700	120,871	-	-	-	-	122,571
System-wide pupil support	114,461	-	-	-	-	-	114,461
Policy, leadership and public relations	397,723	159,581	250	-	-	-	557,554
Ancillary services	-	2,615	-	14,650	-	-	17,265
Non-programmed charges	-	-	96,012	-	-	-	96,012
Debt service - principal retirement	-	-	-	-	366,147	-	366,147
Capital outlay	-	-	-	-	252,619	-	252,619
Total expenditures	5,683,120	28,155,374	2,902,501	3,061,425	634,391	1,132,110	41,568,921
Revenues over (under) expenditures	(84,888)	86,125	-	87,001	260,405	(14,748)	333,895
Other financing uses:							
Transfers to other funds	-	(86,125)	-	-	-	-	(86,125)
Net change in fund balance	(84,888)	-	-	87,001	260,405	(14,748)	247,770
Fund balances:							
Beginning of year	2,784,439	-	-	578,988	278,769	490,940	4,133,136
Change in reserve for inventories	(23,508)	-	-	-	-	-	(23,508)
End of year	$ 2,676,043	$ -	$ -	$ 665,989	$ 539,174	$ 476,192	$ 4,357,398

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 5***
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, 2019

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

Net changes in fund balances - total governmental funds	$ 247,770
Change in fund balance due to change in reserve for inventory	(23,508)
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.	(1,351,722)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,773,614
Contributions to the OPEB plans in the current fiscal year are not included on the statement of activities	1,446,612
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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	366,147
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	(3,493,731)
Net OPEB (expense) benefit	499,577
Compensated absences	(18,657)
Total change in net position of governmental activities	$ 446,102

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, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	5,268,000	5,268,000	5,263,210	(4,790)
U.S. Government	-	-	-	-
Other	345,948	345,948	335,022	(10,926)
Total revenues	5,613,948	5,613,948	5,598,232	(15,716)
Expenditures:				
Current:				
Instructional services	2,908,519	2,883,519	2,298,503	585,016
System-wide support services	3,585,811	3,610,811	3,384,617	226,194
Ancillary services	2,000	2,000	-	2,000
Non-programmed charges	-	-	-	-
Total expenditures	6,496,330	6,496,330	5,683,120	813,210
Revenues over (under) expenditures	(882,382)	(882,382)	(84,888)	797,494
Other financing uses:				
Transfers to other funds	(535,000)	(535,000)	-	535,000
Fund balance appropriated	1,417,382	1,417,382	-	(1,417,382)
Net change in fund balance	$ -	$ -	(84,888)	$ (84,888)
Fund balances:				
Beginning of year			2,784,439	
Change in reserve for inventories			(23,508)	
End of year			$ 2,676,043	

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

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, 2019

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State of North Carolina	$ 28,007,418	$ 28,428,813	$ 28,241,499	$ (187,314)
Montgomery County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	28,007,418	28,428,813	28,241,499	(187,314)
Expenditures:				
Current:				
Instructional services	24,016,531	24,082,519	23,942,889	139,630
System-wide support services	3,904,322	4,256,969	4,209,870	47,099
Ancillary services	-	2,864	2,615	249
Non-programmed charges	-	-	-	-
Total expenditures	27,920,853	28,342,352	28,155,374	186,978
Revenues over (under) expenditures	86,565	86,461	86,125	(336)
Other financing uses:				
Transfers to other funds	(86,565)	(86,461)	(86,125)	336
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, 2019

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	-	-	-	-
U.S. Government	150,438	3,574,323	2,902,501	(671,822)
Other	-	-	-	-
Total revenues	150,438	3,574,323	2,902,501	(671,822)
Expenditures:				
Current:				
Instructional services	135,325	3,250,043	2,751,117	498,926
System-wide support services	11,257	93,170	55,372	37,798
Ancillary services	-	-	-	-
Non-programmed charges	3,856	231,110	96,012	135,098
Total expenditures	150,438	3,574,323	2,902,501	671,822
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
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, 2019

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State of North Carolina	$ 1,337,026	$ 1,357,906	$ 1,344,962	$ (12,944)
Montgomery County	-	-	-	-
U.S. Government	169,740	922,399	670,386	(252,013)
Other	489,660	1,148,629	1,133,078	(15,551)
Total revenues	1,996,426	3,428,934	3,148,426	(280,508)
Expenditures:				
Current:				
Instructional services	1,729,126	2,731,873	2,395,892	335,981
System-wide support services	247,300	682,411	650,883	31,528
Ancillary services	20,000	14,650	14,650	-
Non-programmed charges	-	-	-	-
Total expenditures	1,996,426	3,428,934	3,061,425	367,509
Revenues over (under) expenditures	-	-	87,001	87,001
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	$ -	$ -	87,001	$ 87,001
Fund balances:				
Beginning of year			578,988	
Change in reserve for inventories			-	
End of year			$ 665,989	

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, 2019

	Enterprise Fund Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	$ 668,817
Due from other governments	98,542
Receivables	64
Net OPEB asset	1,530
Inventories	78,881
Total current assets	847,834
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	72,001
Total assets	919,835
Deferred Outflows of Resources	436,431
Liabilities	
Current liabilities:	
Compensated absences	39,543
Unearned revenue	10,497
Total current liabilities	50,040
Noncurrent liabilities:	
Net pension liability	575,560
Net OPEB liability	1,422,805
Compensated absences	52,424
Total noncurrent liabilities	2,050,789
Total liabilities	2,100,829
Deferred Inflows of Resources	809,683
Net position	
Investment in capital assets	72,001
Restricted for DIPNC OPEB plan	7,015
Unrestricted (deficit)	(1,633,262)
Total net position (deficit)	$ (1,554,246)

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, 2019

	Enterprise Fund Major Fund School Food Service
Operating revenues:	
Food sales	$ 468,819
Other	2,234
Total operating revenues	471,053
Operating expenses:	
Food cost:	
Purchase of food	972,939
Donated commodities	160,298
Salaries and benefits	1,406,247
Indirect costs	230,704
Materials and supplies	100,325
Repairs and maintenance	13,491
Depreciation	30,356
Contracted services	24,658
Other	24,146
Total operating expenses	2,963,164
Operating loss	(2,492,111)
Nonoperating revenues:	
Federal reimbursements	2,120,813
Federal commodities	160,298
State reimbursements	11,486
Indirect costs not paid	180,472
Interest earned	95
Total nonoperating revenues	2,473,164
Loss before transfers	(18,947)
Transfers from other funds	86,125
Change in net position	67,178
Net position (deficit), beginning of year	(1,621,424)
Net position (deficit), end of year	$ (1,554,246)

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, 2019

	Enterprise Fund Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	$ 473,661
Cash paid for goods and services	(1,178,379)
Cash paid to employees for services	(1,460,550)
Other operating revenue	2,234
Net cash used by operating activities	(2,163,034)
Cash flows from noncapital financing activities:	
Federal and State reimbursements	2,105,454
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,578)
Cash flows from investing activities:	
Interest earned on investments	95
Net decrease in cash and cash equivalents	(60,063)
Cash and cash equivalents, beginning of year	728,880
Cash and cash equivalents, end of year	$ 668,817
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (2,492,111)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	30,356
Donated commodities	160,298
Salaries paid by special revenue fund	86,125
Indirect costs not paid	180,472
Changes in assets and liabilities:	
Decrease in accounts receivable	2,520
Decrease in net OPEB asset	1,694
Decrease in inventories	7,467
Decrease in accounts payable and accrued liabilities	(55)
Increase in unearned revenue	2,322
Increase in net pension liability	97,215
Decrease in net OPEB liability	(358,851)
Increase in deferred outflows	(52,975)
Increase in deferred inflows	169,290
Increase in compensated absences payable	3,199
Total adjustments	329,077
Net cash used by operating activities	$ (2,163,034)

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 $160,298 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 $180,472 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 $86,125 to administrative 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 fund raising 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 and the NCCMT are measured at amortized cost, which is the NCCMT's share price. 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, 2019 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 fund raising 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 $(28,459,503) 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)	$ 76,358,154
Less accumulated depreciation	(39,121,875)
Net capital assets	37,236,279
Net OPEB asset	40,453
Deferred outflows of resources related to pensions	8,466,241
Deferred outflows of resources related to OPEB	3,075,985
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	(433,290)
Compensated absences	(2,581,030)
Net pension liability	(15,221,766)
Net OPEB liability	(37,628,775)
Deferred inflows of resources related to pensions	(255,223)
Deferred inflows of resources related to OPEB	(21,158,377)
Total adjustment	$ (28,459,503)

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 $198,332 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 160,168
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	(1,511,890)
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	366,147
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,773,614
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,446,612
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	(3,493,731)
Net OPEB benefit	499,577
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(18,657)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	(23,508)
Total adjustment	$ 198,332

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, 2019, the Board had deposits with banks and savings and loans with a carrying amount of $2,693,903 and with the State Treasurer of $13,944. The bank balances with the financial institutions and the State Treasurer were $2,805,213 and $220,897, respectively. Of these balances, $991,969 was covered by federal depository insurance and $2,034,141 was covered by collateral held by authorized escrow agents in the name of the State Treasurer. The Board also had petty cash on hand at year end totaling $100.

2. Investments

At June 30 2019, the Board had $2,112,744 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, 2019. The Board has no investment balances in the NCCMT as of June 30, 2019. 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, 2019 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	$ 16,763	$ 28,029	$ 44,792
Other governmental activities	471,300	88,288	559,588
Total governmental activities	$ 488,063	$ 116,317	$ 604,380
Business-type activities:			
School Food Service Fund	$ 98,542	$ 64	$ 98,606

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	$ 304,400	Operating funds from DPI
Federal Grants Fund	14,600	Federal grant funds
General Fund	16,763	Amounts due from County
Other Special Revenue Fund	152,300	Federal and State grant funds and reimbursements
Total	$ 488,063	
Business-type activities:		
School Food Service Fund	$ 98,542	Federal grant funds

4. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 568,931	$ -	$ -	$ 568,931
Construction in progress	2,766,820	92,604	-	2,859,424
Total capital assets not being depreciated	3,335,751	92,604	-	3,428,355
Capital assets being depreciated:				
Buildings and improvements	65,128,860	-	-	65,128,860
Equipment and furniture	1,169,571	-	-	1,169,571
Vehicles	6,563,804	67,564	-	6,631,368
Total capital assets being depreciated	72,862,235	67,564	-	72,929,799
Less accumulated depreciation for:				
Buildings and improvements	31,724,108	1,175,114	-	32,899,222
Equipment and furniture	993,004	52,230	-	1,045,234
Vehicles	4,892,873	284,546	-	5,177,419
Total accumulated depreciation	37,609,985	1,511,890	-	39,121,875
Total capital assets being depreciated, net	35,252,250			33,807,924
Governmental activity capital assets, net	$ 38,588,001			$ 37,236,279
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	$ 1,315,921	$ 2,578	$ 687	$ 1,317,812
Vehicles	23,986	-	-	23,986
Total capital assets being depreciated	1,339,907	2,578	687	1,341,798
Less accumulated depreciation for:				
Equipment and furniture	1,216,142	30,356	687	1,245,811
Vehicles	23,986	-	-	23,986
Total accumulated depreciation	1,240,128	30,356	687	1,269,797
School Food Service capital assets, net	$ 99,779			$ 72,001

Depreciation was charged to governmental functions as follows:

System-wide support services	$ 284,546
Unallocated depreciation	1,227,344
Total	$ 1,511,890

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, 2019, was 12.29% 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 $2,878,489 for the year ended June 30, 2019.

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, 2019, the Board reported a liability of $15,797,326 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 and 2017, the Board's proportion was 0.1587% and 0.1593%, respectively.

For the year ended June 30, 2019, the Board recognized pension expense of $3,616,259. At June 30, 2019, 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	$ 1,152,899	$ 158,537
Changes of assumptions	3,170,117	-
Net difference between projected and actual earnings on pension plan investments	1,505,488	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	79,371	106,336
Board contributions subsequent to the measurement date	2,878,489	-
Total	$ 8,786,364	$ 264,873

$2,878,489 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, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	$ 3,342,987
2021	2,069,128
2022	258,533
2023	(27,646)
Total	$ 5,643,002

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 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 2018 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 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%, a decrease of .20% from the prior year discount rate of 7.20%. 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)	$ 30,128,179	$ 15,797,326	$ 3,772,322

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 6.27% of covered payroll which amounted to $1,468,521.

At June 30, 2019, the Board reported a liability of $39,051,580 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 and 2017, the Board's proportion was 0.1371% and 0.1436%, respectively.

$1,468,521 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ (4,623,418)
2021	(4,623,418)
2022	(4,623,418)
2023	(4,619,242)
2024	(1,895,698)
Total	$ (20,385,194)

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	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-7.25%
Healthcare cost trend rate -Medicare advantage	5.00%
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.87%, an increase of .29% over the prior year discount rate of 3.58%. 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 3.87% was used as the discount rate used to measure the total OPEB liability. The 3.87% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2018.

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 (2.87 percent) or 1-percentage point higher (4.87 percent) than the current discount rate:

	1% decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	$ 46,139,835	$ 39,051,580	$ 33,369,582

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 - 4.00-6.25%, Medicare Advantage - 4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical -5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)	1% increase (Medical -6.00-7.50%, Pharmacy - 6.00-8.25%, Medicare Advantage - 6.00%, Administrative - 4.00%)
Net OPEB liability	$ 32,216,536	$ 39,051,580	$ 8,024,652

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, 2019, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $32,790 for the year ended June 30, 2019.

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, 2019, the Board reported an asset of $41,983 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2017. The total OPEB liability was then rolled forward to the measurement date of June 30, 2018 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, 2018 and 2017, the Board's proportion was 0.1382% and 0.1394%, respectively.

$32,790 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ 29,454
2021	29,449
2022	20,536
2023	15,913
2024	11,208
Thereafter	11,206
Total	$ 117,766

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	$ 32,168	$ 41,983	$ 51,398

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2017 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, 2018. 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, 2019:

	RHBF	DIPNC	Total
OPEB expense (benefit)	$ (610,227)	$ 4,069	$ (606,158)
OPEB liability	39,051,580	-	39,051,580
OPEB asset	-	41,983	41,983
Proportionate share of the net OPEB liability or asset	0.1371%	0.1382%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	-	73,235	73,235
Changes of assumptions	-	7,928	7,928
Net difference between projected and actual earnings on plan investments	4,200	32,696	36,896
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,569,016	3,907	1,572,923
Board contributions subsequent to the measurement date	1,468,521	32,790	1,501,311
Deferred Inflows of Resources:			
Differences between expected and actual experience	2,670,519	-	2,670,519
Changes of assumptions	16,918,046	-	16,918,046
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,369,845	-	2,369,845

2. Accounts Payable

Accounts payable as of June 30, 2019 are as follows:

	Vendors and Other	Salaries and Benefits	Total
Governmental activities:			
General Fund	$ 155,463	$ -	$ 155,463
Other governmental activities	21,055	339,841	360,896
Total governmental activities	$ 176,518	$ 339,841	$ 516,359

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)	$ 10,497

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	$ 1,226,134	$ 2,829,056
Changes of assumptions	3,178,045	16,918,046
Net difference between projected and actual earnings on pension and OPEB plan investments	1,542,384	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,652,294	2,476,181
Board contributions subsequent to the measurement date	4,379,800	-
Total	$ 11,978,657	$ 22,223,283

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 $175,000.

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. 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 financing arrangements. The Board has entered into three such financing contracts for the purchase of school buses. The original amount of the installment purchase contracts totaled $1,464,592. 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, 2019 are as follows:

Year Ending June 30,	Governmental Activities Principal
2020	$ 303,074
2021	130,216
Total	$ 433,290

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, 2019:

	July 1, 2018	Increases	Decreases	June 30, 2019	Current Portion
Governmental activities:					
Installment purchases	$ 799,437	$ -	$ 366,147	$ 433,290	$ 303,074
Net pension liability	12,161,220	3,060,546	-	15,221,766	-
Net OPEB liability	45,296,062	-	7,667,287	37,628,775	-
Compensated absences	2,562,373	1,634,194	1,615,537	2,581,030	993,610
Total	$ 60,819,092	$ 4,694,740	$ 9,648,971	$ 55,864,861	$ 1,296,684
Business-type activities:					
Net pension liability	$ 478,345	$ 97,215	$ -	$ 575,560	$ -
Net OPEB liability	1,781,656	-	358,851	1,422,805	-
Compensated absences	88,768	72,570	69,371	91,967	39,543
Total	$ 2,348,769	$ 169,785	$ 428,222	$ 2,090,332	$ 39,543

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

Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2019 consisted of the following:

From the State Public School Fund to the School Food Service Fund for administrative salary and benefit costs	$ 86,125

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	$ 2,676,043
Less:	
Inventories	(131,447)
Stabilization by State statute	(44,792)
Appropriated fund balance in 2019-2020 budget	(983,016)
Remaining fund balance	$ 1,516,788

NOTE 3 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2019 in the Other Special Revenue Fund consists of the following:

Medicaid reimbursement program	$	370,043
Tuition and fees		228,410
Indirect costs allocated		146,012
Private grants and programs		312,064
Other		76,549
Total other revenues	$	1,133,078

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 SIX FISCAL YEARS*

	2019	2018	2017	2016	2015
Board's proportion of the net pension liability (asset)	0.159%	0.159%	0.163%	0.159%	0.160%
Board's proportionate share of the net pension liability (asset)	$ 15,797,326	$ 12,639,565	$ 14,999,766	$ 5,848,041	$ 1,875,170
Board's covered payroll	$ 23,594,889	$ 22,926,271	$ 22,728,656	$ 23,293,136	$ 22,136,594
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	66.95%	55.13%	65.99%	25.11%	8.47%
Plan fiduciary net position as a percentage of the total pension liability	87.61%	89.51%	87.32%	94.64%	98.24%

	2014
Board's proportion of the net pension liability (asset)	0.162%
Board's proportionate share of the net pension liability (asset)	$ 9,853,264
Board's covered payroll	$ 22,658,461
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	43.49%
Plan fiduciary net position as a percentage of the total pension liability	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 six 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

	2019	2018	2017	2016	2015
Contractually required contribution	$ 2,878,489	$ 2,543,529	$ 2,288,042	$ 2,079,672	$ 2,131,322
Contributions in relation to the contractually required contribution	2,878,489	2,543,529	2,288,042	2,079,672	2,131,322
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,421,391	$ 23,594,889	$ 22,926,273	$ 22,728,656	$ 23,293,136
Contributions as a percentage of covered payroll	12.29%	10.78%	9.98%	9.15%	9.15%

	2014	2013	2012	2011	2010
Contractually required contribution	$ 1,923,670	$ 1,872,769	$ 1,697,040	$ 1,157,514	$ 876,232
Contributions in relation to the contractually required contribution	1,923,670	1,872,769	1,697,040	1,157,514	876,232
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 22,136,594	$ 22,482,226	$ 22,809,680	$ 23,478,980	$ 24,544,311
Contributions as a percentage of covered payroll	8.69%	8.33%	7.44%	4.93%	3.57%

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 THREE FISCAL YEARS*

	2019	2018	2017
Board's proportion of the net OPEB liability (asset)	0.137%	0.144%	0.138%
Board's proportionate share of the net OPEB liability (asset)	$ 39,051,580	$ 47,077,718	$ 60,089,721
Board's covered payroll	$ 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	165.51%	205.34%	264.38%
Plan fiduciary net position as a percentage of the total OPEB liability	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 three 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

	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,468,521	$ 1,427,491	$ 1,341,024	$ 1,278,416	$ 1,277,373
Contributions in relation to the contractually required contribution	1,468,521	1,427,491	1,341,024	1,278,416	1,277,373
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,421,391	$ 23,594,889	$ 22,926,273	$ 22,728,656	$ 23,293,136
Contributions as a percentage of covered payroll	6.27%	6.05%	5.81%	5.60%	5.49%

	2014	2013	2012	2011	2010
Contractually required contribution	$ 1,194,447	$ 1,191,558	$ 1,140,484	$ 1,150,470	$ 1,104,494
Contributions in relation to the contractually required contribution	1,194,447	1,191,558	1,140,484	1,150,470	1,104,494
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 22,136,594	$ 22,482,226	$ 22,809,680	$ 23,478,980	$ 24,544,311
Contributions as a percentage of covered payroll	5.40%	5.30%	5.00%	4.90%	4.50%

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 THREE FISCAL YEARS*

	2019	2018	2017
Board's proportion of the net OPEB asset	0.138%	0.139%	0.144%
Board's proportionate share of the net OPEB asset	$ 41,983	$ 85,183	$ 89,548
Board's covered payroll	$ 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	0.18%	0.37%	0.39%
Plan fiduciary net position as a percentage of the total OPEB asset	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 three 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

	2019	2018	2017	2016	2015
Contractually required contribution	$ 32,790	$ 33,033	$ 87,709	$ 93,598	$ 95,396
Contributions in relation to the contractually required contribution	32,790	33,033	87,709	93,598	95,396
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,421,391	$ 23,595,000	$ 23,081,316	$ 22,828,780	$ 23,267,317
Contributions as a percentage of covered payroll	0.14%	0.14%	0.38%	0.41%	0.41%

	2014	2013	2012	2011	2010
Contractually required contribution	$ 97,325	$ 98,922	$ 118,610	$ 122,091	$ 127,630
Contributions in relation to the contractually required contribution	97,325	98,922	118,610	122,091	127,630
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 22,119,318	$ 22,482,226	$ 22,809,680	$ 23,478,980	$ 24,544,311
Contributions as a percentage of covered payroll	0.44%	0.44%	0.52%	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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Montgomery County:			
County appropriation	$ 5,199,000	$ 5,199,000	$ -
Timber receipts	69,000	64,210	(4,790)
Total Montgomery County	5,268,000	5,263,210	(4,790)
Other:			
Fines and forfeitures	290,000	284,372	(5,628)
Interest earned on investment	20,000	42,531	22,531
Refunds and reimbursements	35,948	8,119	(27,829)
Total other	345,948	335,022	(10,926)
Total revenues	5,613,948	5,598,232	(15,716)
Expenditures:			
Current:			
Instructional services:			
Regular instructional		1,531,034	
Special populations		1,677	
Alternative programs		32,163	
School leadership		463,351	
Co-curricular		219,060	
School-based support		51,218	
Total instructional services	2,883,519	2,298,503	585,016
System-wide support services:			
Support and development		71,124	
Special population support and development		1,779	
Alternative programs and services support and development		68,836	
Technology support		3,492	
Operational support		2,283,986	
Financial and human resource services		441,516	
Accountability		1,700	
System-wide pupil support		114,461	
Policy, leadership and public relations		397,723	
Total system-wide support services	3,610,811	3,384,617	226,194
Ancillary services:			
Nutrition	2,000	-	2,000
Total expenditures	6,496,330	5,683,120	813,210
Revenues under expenditures	(882,382)	(84,888)	797,494
Other financing uses:			
Transfers to other funds	(535,000)	-	535,000
Fund balance appropriated	1,417,382	-	(1,417,382)
Net change in fund balance	$ -	(84,888)	$ (84,888)
Fund balance:			
Beginning of year		2,784,439	
Change in reserve for inventories		(23,508)	
End of year		$ 2,676,043	

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2019

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2018	Fund balances June 30, 2019
West Montgomery High	$ 270,908	$ 296,862	$ (25,954)	$ 117,887	$ 91,933
East Montgomery High	256,678	317,186	(60,508)	172,486	111,978
Montgomery Central High	65,822	-	65,822	-	65,822
West Middle	108,293	103,234	5,059	13,272	18,331
East Middle	83,533	78,208	5,325	78,469	83,794
Candor Elementary	46,280	44,569	1,711	13,304	15,015
Green Ridge Elementary	49,044	53,427	(4,383)	20,892	16,509
Mt. Gilead Elementary	34,178	35,208	(1,030)	8,323	7,293
Page Street Elementary	54,208	53,389	819	7,468	8,287
Star-Biscoe Elementary	73,219	75,080	(1,861)	33,564	31,703
Troy Elementary	44,928	45,737	(809)	17,213	16,404
Montgomery Early College	30,271	29,210	1,061	8,062	9,123
Totals	$ 1,117,362	$ 1,132,110	$ (14,748)	$ 490,940	$ 476,192

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	$ 366,147	$ 366,147	$ -
U.S. Government:			
Public Assistance Grants	25,887	25,887	-
Montgomery County:			
County appropriations	-	423,482	423,482
Other:			
Insurance proceeds	65,253	64,853	(400)
Miscellaneous	1,000	14,427	13,427
Total other	66,253	79,280	13,027
Total revenues	458,287	894,796	436,509
Expenditures:			
Current:			
System-wide support services:			
Operational support	120,143	15,625	104,518
Debt service:			
Principal retirement	366,147	366,147	-
Capital outlay	780,939	252,619	528,320
Total expenditures	1,267,229	634,391	632,838
Revenues over (under) expenditures	(808,942)	260,405	1,069,347
Other financing sources:			
Transfers from other funds	535,000	-	(535,000)
Installment purchase obligations issued	88,712	-	(88,712)
Total other financing sources	623,712	-	(623,712)
Fund balance appropriated	185,230	-	(185,230)
Net change in fund balance	$ -	260,405	$ 260,405
Fund balance:			
Beginning of year		278,769	
End of year		$ 539,174	

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	$ 480,000	$ 468,819	$ (11,181)
Other	2,500	2,234	(266)
Total operating revenues	482,500	471,053	(11,447)
Operating expenditures:			
Business support services:			
Purchase of food		965,472	
Donated commodities		160,298	
Salaries and benefits		1,546,675	
Indirect costs		230,704	
Materials and supplies		100,325	
Repairs and maintenance		13,491	
Contracted services		24,658	
Other		24,146	
Capital outlay		2,578	
Total operating expenditures	3,324,040	3,068,347	255,693
Operating loss	(2,841,540)	(2,597,294)	244,246
Nonoperating revenues:			
Federal reimbursements and grants	2,145,680	2,120,813	(24,867)
Federal commodities	170,000	160,298	(9,702)
State reimbursements	12,000	11,486	(514)
Indirect costs not paid	160,000	180,472	20,472
Interest earned	100	95	(5)
Total nonoperating revenues	2,487,780	2,473,164	(14,616)
Deficiency of revenues over expenditures before other financing sources and fund balance appropriated	(353,760)	(124,130)	229,630
Other financing sources:			
Transfers from other funds	85,000	86,125	1,125
Fund balance appropriated	268,760	-	(268,760)
Net change in fund balance	$ -	(38,005)	$ (38,005)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(30,356)	
Net OPEB asset		(1,694)	
Net pension liability		(97,215)	
Net OPEB liability		358,851	
Deferred outflows - pension		52,975	
Deferred inflows - pension		(169,290)	
Equipment purchases		2,578	
Decrease in compensated absences payable		(3,199)	
Decrease in inventories		(7,467)	
Change in net position (full accrual)		$ 67,178	

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, 2019, 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, 2019.

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, 2019
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, 2019. 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, 2019.

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, 2019
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, 2019. 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, 2019.

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, 2019
Rockingham, North Carolina

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019

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
84.010	Title I, Grants to Local Educational Agencies

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, 2019

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	$ 160,298
Cash Assistance:			
School Breakfast Program	10.553	PRC 035	608,699
National School Lunch Program	10.555	PRC 035	1,410,169
Seamless Summer Program	10.555	PRC 035	46,265
Cash Assistance Subtotal			2,065,133
Total Child Nutrition Cluster			2,225,431
Fresh Fruit and Vegetable Grant	10.582	PRC 035	55,680
Total School Nutrition Program (Note 3)			2,281,111
Total U.S. Department of Agriculture			2,281,111
U.S. Department of Education			
Direct Programs:			
Innovative Approaches to Literacy	84.215		497,987
Investing in Innovation (i3) Fund - ARRA	84.411		5,600
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050, 105, 115	1,242,255
Twenty-first Century Community Learning Centers	84.287	PRC 110	277,903
Supporting Effective Instruction State Grant	84.367	PRC 103	161,446
Student Support and Academic Enrichment Program	84.424	PRC 108	94,427
Language Acquisition Grant	84.365	PRC 104,111	38,667
Rural and Low Income Schools	84.358	PRC 109	68,824
Special Education Cluster:			
Grants to States - IDEA, Part B (611)	84.027	PRC 060	846,959
Special Needs Targeted Assistance	84.027	PRC 118	31,668
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	27,944
Preschool Targeted Assistance	84.173	PRC 119	1,511
Total Special Education Cluster			908,082
Career and Technical Education - Basic Grants to States			
Program Development	84.048	PRC 017	79,361
Total U.S. Department of Education			3,374,552

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
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	31,536
Passed-through the N.C. Department of Health and Human Services:			
School Nurse Funding Initiative	93.994		57,140
U.S. Department of Defense			
Passed-through the N.C. Department of Public Safety:			
Public Assistance Grants	97.036		25,887
U.S. Department of Defense			
Direct Program:			
ROTC	None		109,659
Total Federal Assistance			**5,879,885**
State Grants:			
N.C. Department of Public Instruction:			
Cash Assistance:			
State Public School Fund		Various	26,451,395
Vocational Education			
State Months of Employment		PRC 013	1,383,926
Program Support Funds		PRC 014	238,693
Driver Training		PRC 012	50,334
School Technology Fund		PRC 015	117,151
Cash assistance subtotal			28,241,499
Non-Cash Assistance:			
State Buses Appropriation		PRC 120	366,147
Total N.C. Department of Public Instruction			28,607,646
N.C. Department of Agriculture:			
State Reduced Breakfast Program			11,486
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	1,057,014
Division of Public Health			
School Nurse Funding Initiative			42,860
Total N.C. Department of Health and Human Services			1,245,674

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
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			**29,964,094**
Total Federal and State Assistance			**$ 35,843,979**

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, 2019. 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.