



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

September 14, 2015

To the Board of Education
Troy, North Carolina

We have audited the 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 (the Board) for the year ended June 30, 2015, and have issued our report thereon dated September 14, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 6, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements. As described in Note 5 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses for pension plans. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014).

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The financial statements include no overly sensitive estimates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no such misstatements as any significant adjustments made during the audit were brought to our attention by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 14, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Montgomery County Board of Education's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Montgomery County Board of Education's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management Discussion and Analysis, the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund financial statements and schedules, budgetary schedules and other schedules, as well as the schedule of expenditures of federal and State awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

This information is intended solely for the use of members of the Montgomery County Board of Education and management of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson Smith & Wike PLLC

Anderson Smith & Wike PLLC
Rockingham, North Carolina

**MONTGOMERY COUNTY
BOARD OF EDUCATION
Troy, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2015*

MONTGOMERY COUNTY BOARD OF EDUCATION
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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, 2015 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, 2015, 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 conformity 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 Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 40 and 41, 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 the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations* 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 14, 2015 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 14, 2015
Rockingham, North Carolina
(910) 997-1418

MONTGOMERY COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2015. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

As discussed in Note 5 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. As a result, net position as previously reported at June 30, 2014 for the governmental and business-type activities decreased by \$7.6 million and \$285,000, respectively. For the fiscal year ended June 30, 2015, the Board's total government-wide net position (not including the decrease in net position due to the GASB 68 restatement) increased by \$176,000, or 1.3%. Governmental activities net position increased by \$503,000, or 0.5%, and business-type activities net position increased by \$149,000, or 21.0%.

- Total government-wide net investment in capital assets decreased by \$1.1 million, or 2.8%, from the prior year. Governmental activities net investment in capital assets decreased by \$1.1 million, or 2.7%, and business-type activities net investment in capital assets decreased by \$36,000, or 17.2%.
- Total restricted net position decreased by \$298,000, or 19.2%. Restricted net position is found only in the governmental activities.
- The Board's total government-wide unrestricted net position at June 30, 2015 decreased by \$6.2 million from the prior year due largely to the \$7.6 million GASB 68 restatement. Net of this restatement, governmental activities unrestricted net position increased by \$1.4 million while business-type activities unrestricted net position increased by \$99,000 over the prior year.
- Financial reporting awards from Association of School Business Officials International and the Government Finance Officers Association were received for the fourth 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*
- *Supplementary section that presents a nonmajor fund schedule and budgetary 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.

MONTGOMERY COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Board's assets and liabilities. 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 and liabilities. 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

**MONTGOMERY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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. Assets exceeded liabilities by \$35.6 million as of June 30, 2015 as compared to \$43.2 million as of June 30, 2014, a decrease of \$7.6 million. As previously discussed, this decrease is primarily due to the implementation of GASB 68 during the year which had the effect of reducing beginning of year net position by \$7.9 million. The largest component of net position is net investment in capital assets of \$38.2 million. Following is a summary of the Statement of Net Position at June 30, 2015 and 2014:

**Table 1
Condensed Statement of Net Position
As of June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current assets	\$ 5,891,487	\$ 5,977,170	\$ 1,001,593	\$ 869,702	\$ 6,893,080	\$ 6,846,872
Capital assets	38,073,586	39,213,512	174,611	210,990	38,248,197	39,424,502
Total assets	<u>43,965,073</u>	<u>45,190,682</u>	<u>1,176,204</u>	<u>1,080,692</u>	<u>45,141,277</u>	<u>46,271,374</u>
Deferred outflows of resources	<u>2,054,799</u>	<u>-</u>	<u>76,523</u>	<u>-</u>	<u>2,131,322</u>	<u>-</u>
Current liabilities	1,237,370	1,292,610	43,029	41,646	1,280,399	1,334,256
Long-term liabilities	<u>3,407,520</u>	<u>1,648,227</u>	<u>104,628</u>	<u>43,842</u>	<u>3,512,148</u>	<u>1,692,069</u>
Total liabilities	<u>4,644,890</u>	<u>2,940,837</u>	<u>147,657</u>	<u>85,488</u>	<u>4,792,547</u>	<u>3,026,325</u>
Deferred inflows of resources	<u>6,593,891</u>	<u>-</u>	<u>245,563</u>	<u>-</u>	<u>6,839,454</u>	<u>-</u>
Net investment in						
capital assets	38,073,586	39,130,800	174,611	210,990	38,248,197	39,341,790
Restricted net position	1,250,895	1,548,969	-	-	1,250,895	1,548,969
Unrestricted net position (deficit)	<u>(4,543,390)</u>	<u>1,570,076</u>	<u>684,896</u>	<u>784,214</u>	<u>(3,858,494)</u>	<u>2,354,290</u>
Total net position	<u>\$ 34,781,091</u>	<u>\$ 42,249,845</u>	<u>\$ 859,507</u>	<u>\$ 995,204</u>	<u>\$ 35,640,598</u>	<u>\$ 43,245,049</u>

**MONTGOMERY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The net position of the Board's governmental activities decreased \$7.5 million during the year to \$34.8 million at June 30, 2015, indicating a decline in the financial condition of the Board. The GASB 68 restatement accounted for all of this decrease, reducing beginning of year governmental activities net position by \$7.6 million. Restricted net position decreased by \$298,000, primarily due to a decrease in receivables which are restricted by State statute. Unrestricted net position decreased \$6.1 million compared to the prior year, due primarily to implementation of GASB 68. Net investment in capital assets decreased \$1.1 million due to an excess of depreciation expense over capital additions for the year.

Net of a reduction of \$285,000 to beginning of year net position for implementation of GASB 68, the net position of the Board's business-type activities increased \$149,000 during the year. This increase of \$149,000 is the net profit generated by our school food service operations during the 2015 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, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Revenues:						
Program revenues:						
Charges for services	\$ 1,006,431	\$ 1,213,515	\$ 573,499	\$ 579,848	\$ 1,579,930	\$ 1,793,363
Operating grants and contributions	31,863,423	28,273,834	2,268,502	2,298,081	34,131,925	30,571,915
Capital grants and contributions	82,714	82,714	-	-	82,714	82,714
General revenues:						
County appropriations	5,214,582	5,072,365	-	-	5,214,582	5,072,365
State appropriations	1,257,331	1,593,835	-	-	1,257,331	1,593,835
Other revenues	608,079	562,040	92	645	608,171	562,685
Total revenues	<u>40,032,560</u>	<u>36,798,303</u>	<u>2,842,093</u>	<u>2,878,574</u>	<u>42,874,653</u>	<u>39,676,877</u>
Expenses:						
Governmental activities:						
Instructional services	29,283,560	29,426,851	-	-	29,283,560	29,426,851
System-wide support services	9,260,014	7,607,257	-	-	9,260,014	7,607,257
Ancillary services	3,635	2,870	-	-	3,635	2,870
Unallocated depreciation	1,223,201	1,277,587	-	-	1,223,201	1,277,587
Business-type activities:						
School food service	-	-	2,779,102	2,864,248	2,779,102	2,864,248
Total expenses	<u>39,770,410</u>	<u>38,314,565</u>	<u>2,779,102</u>	<u>2,864,248</u>	<u>42,549,512</u>	<u>41,178,813</u>
Excess (deficiency) before transfers	262,150	(1,516,262)	62,991	14,326	325,141	(1,501,936)
Transfers in (out)	<u>(86,015)</u>	<u>(84,531)</u>	<u>86,015</u>	<u>84,531</u>	-	-
Increase (decrease) in net position	<u>176,135</u>	<u>(1,600,793)</u>	<u>149,006</u>	<u>98,857</u>	<u>325,141</u>	<u>(1,501,936)</u>
Beginning net position						
as previously reported	42,249,845	43,850,638	995,204	896,347	43,245,049	44,746,985
Restatement	<u>(7,644,889)</u>	<u>-</u>	<u>(284,703)</u>	<u>-</u>	<u>(7,929,592)</u>	<u>-</u>
Beginning net position, restated	<u>34,604,956</u>	<u>43,850,638</u>	<u>710,501</u>	<u>896,347</u>	<u>35,315,457</u>	<u>44,746,985</u>
Ending net position	<u>\$ 34,781,091</u>	<u>\$ 42,249,845</u>	<u>\$ 859,507</u>	<u>\$ 995,204</u>	<u>\$ 35,640,598</u>	<u>\$ 43,245,049</u>

MONTGOMERY COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Total governmental activities generated revenues of \$40.0 million while expenses in this category totaled \$39.8 million for the year ended June 30, 2015, resulting in an increase in net position of \$176,000 (including transfers to business-type activities of \$86,000). Comparatively, revenues were \$36.8 million, expenses totaled \$38.3 million and transfers out were \$85,000 for the year ended June 30, 2014, resulting in a decrease in net position of \$1.6 million.

In comparing the two years, revenues increased \$3.2 million while expenses increased by \$1.5 million. The increase in revenues is attributable to a \$3.6 million increase in operating grants and contributions, primarily from the State Public School Fund and \$1.4 million received in the current year from a new federal grant in the Other Special Revenue Fund. The increase in expenses was for system-wide support services which increased by \$1.7 million, primarily due to the enhancement of technology for the district financed with the proceeds of the new \$1.4 million federal grant received in the Other Special Revenue Fund.

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 68.7%, 13.0% and 12.3% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 73.6% of our total expenditures during the most recent fiscal year. Of the remaining 26.4% of our total expenditures, 23.3% 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, 2015. For the year, net position increased by \$149,000 (including transfers in of \$86,000). Comparatively, revenues and expenses were both \$2.9 million for the year ended June 30, 2014, resulting in an increase in net position of \$99,000 (including transfers in of \$85,000). In comparing the two years, there were no significant changes in revenues or expenses.

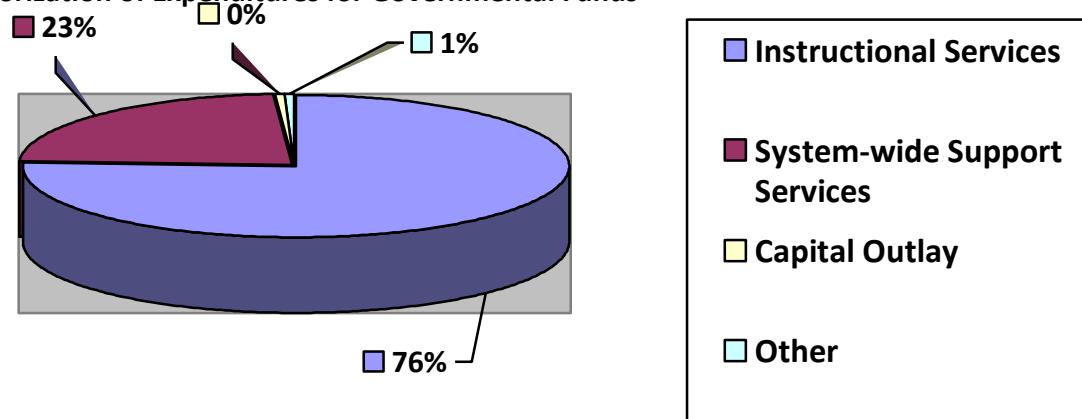
Financial Analysis of the Board's Funds

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 \$5.6 million at June 30, 2015, a decrease of \$75,000 from the \$5.7 million reported at June 30, 2014. The Board's General Fund reported a decrease in fund balance for the year ended June 30, 2015 of \$111,000 (including the \$25,000 decrease in reserve for inventories in the General Fund). The Other Special Revenue, Capital Outlay and Individual Schools funds each reported increases in fund balance of \$8,000, \$11,000 and \$17,000, respectively. Overall, total governmental fund revenues increased by \$3.3 million while total expenditures increased by \$3.2 million over the prior year. These increases are primarily attributable to an increase of \$1.2 million in State Public School Fund revenues/expenditures and the receipt of \$1.4 million from a new federal grant in the Other Special Revenue Fund that was used primarily to enhance student learning through the increased use of technology in the district.

**MONTGOMERY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$149,000 for the fiscal year ended June 30, 2015 compared to an increase of \$99,000 for the same 2014 period, an improvement of \$50,000. Overall, revenues and expenses remained comparable from year to 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, 2015, no significant budget revisions were made in the General Fund as revenue and expenditure expectations remained consistent throughout the year. In addition, the timing of some revenues and expenditures is less predictable which leads to differences between the budgeted and actual amounts. Variances between actual expenditures and final budget amounts relate to conservative budgeting practices and cost containment strategies.

Capital Assets

Total primary government capital assets were \$38.2 million at June 30, 2015 compared to \$39.4 million at June 30, 2014, a decline of 3.0%. 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, 2015 and 2014:

**MONTGOMERY COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table 3
Summary of Capital Assets
As of June 30, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>
Land	\$ 568,931	\$ 568,931	\$ -	\$ -	\$ 568,931	\$ 568,931
Buildings and improvements	36,942,309	38,118,649	-	-	36,942,309	38,118,649
Equipment and furniture	233,981	248,309	174,611	210,990	408,592	459,299
Vehicles	328,365	277,623	-	-	328,365	277,623
Total	<u>\$ 38,073,586</u>	<u>\$ 39,213,512</u>	<u>\$ 174,611</u>	<u>\$ 210,990</u>	<u>\$ 38,248,197</u>	<u>\$ 39,424,502</u>

Debt Outstanding

During the year, the Board's long-term debt decreased from \$83,000 at June 30, 2014 to \$0 at June 30, 2015. 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, 2015, Montgomery County experienced an unemployment rate of approximately 6.2% as compared to an unemployment rate of approximately 6.8% at June 30, 2014. Montgomery County's unemployment rate is slightly above the June 30, 2015 State of N.C. and national unemployment rates of 6.1% and 5.5%, 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
STATEMENT OF NET POSITION
June 30, 2015

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,485,935	\$ 841,058	\$ 6,326,993
Due from other governments	164,818	102,168	266,986
Receivables	138,133	319	138,452
Inventories	102,601	58,048	160,649
Capital assets:			
Land	568,931	-	568,931
Other capital assets, net of depreciation	37,504,655	174,611	37,679,266
Total capital assets	38,073,586	174,611	38,248,197
Total assets	43,965,073	1,176,204	45,141,277
Deferred Outflows of Resources	2,054,799	76,523	2,131,322
Liabilities			
Accounts payable and accrued expenses	111,569	-	111,569
Accrued salaries and wages payable	164,818	-	164,818
Due to other governments	-	-	-
Unearned revenue	-	6,256	6,256
Long-term liabilities:			
Net pension liability	1,807,844	67,326	1,875,170
Due within one year	960,983	36,773	997,756
Due in more than one year	1,599,676	37,302	1,636,978
Total liabilities	4,644,890	147,657	4,792,547
Deferred Inflows of Resources	6,593,891	245,563	6,839,454
Net position			
Net investment in capital assets	38,073,586	174,611	38,248,197
Restricted for:			
Stabilization by State statute	138,133	-	138,133
School capital outlay	565,122	-	565,122
Instructional services	107,016	-	107,016
Individual schools activities	440,624	-	440,624
Unrestricted (deficit)	(4,543,390)	684,896	(3,858,494)
Total net position	\$ 34,781,091	\$ 859,507	\$ 35,640,598

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

MONTGOMERY COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 16,416,853	\$ -	\$ 16,331,823	\$ -	\$ (85,030)	\$ -	\$ (85,030)
Special populations	3,968,504	-	4,415,905	-	447,401	-	447,401
Alternative programs	3,856,055	-	4,419,305	-	563,250	-	563,250
School leadership	2,245,910	-	1,432,610	-	(813,300)	-	(813,300)
Co-curricular	1,199,651	998,930	-	-	(200,721)	-	(200,721)
School-based support	1,596,587	-	1,403,135	-	(193,452)	-	(193,452)
System-wide support services:							
Support and development	437,277	-	368,670	-	(68,607)	-	(68,607)
Special population support and development	24,501	-	24,507	-	6	-	6
Alternative programs and services support and development	1,805,114	-	127,673	-	(1,677,441)	-	(1,677,441)
Technology support	440,430	-	211,227	-	(229,203)	-	(229,203)
Operational support	4,821,711	-	2,513,958	82,714	(2,225,039)	-	(2,225,039)
Financial and human resource services	998,203	7,501	233,714	-	(756,988)	-	(756,988)
Accountability	98,935	-	101,038	-	2,103	-	2,103
System-wide pupil support	114,432	-	-	-	(114,432)	-	(114,432)
Policy, leadership and public relations	519,411	-	127,067	-	(392,344)	-	(392,344)
Ancillary services	3,635	-	3,635	-	-	-	-
Payments to other governments	-	-	149,156	-	149,156	-	149,156
Unallocated depreciation expense**	1,223,201	-	-	-	(1,223,201)	-	(1,223,201)
Total governmental activities	39,770,410	1,006,431	31,863,423	82,714	(6,817,842)	-	(6,817,842)
Business-type activities:							
School food service	2,779,102	573,499	2,268,502	-	-	62,899	62,899
Total primary government	\$ 42,549,512	\$ 1,579,930	\$ 34,131,925	\$ 82,714	(6,817,842)	62,899	(6,754,943)
General revenues:							
Unrestricted county appropriations - operating					5,046,769	-	5,046,769
Unrestricted county appropriations - capital					167,813	-	167,813
Unrestricted State appropriations - operating					1,257,331	-	1,257,331
Investment earnings, unrestricted					18,989	92	19,081
Miscellaneous, unrestricted					589,090	-	589,090
Transfers					(86,015)	86,015	-
Total general revenues and transfers					6,993,977	86,107	7,080,084
Change in net position					176,135	149,006	325,141
Net position - beginning, as previously reported					42,249,845	995,204	43,245,049
Restatement					(7,644,889)	(284,703)	(7,929,592)
Net position - beginning, as restated					34,604,956	710,501	35,315,457
Net position - ending					\$ 34,781,091	\$ 859,507	\$ 35,640,598

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

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

MONTGOMERY COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

Exhibit 3

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Assets							
Cash and cash equivalents	\$ 3,547,783	\$ -	\$ -	\$ 932,406	\$ 565,122	\$ 440,624	\$ 5,485,935
Due from other governments	-	150,908	13,910	-	-	-	164,818
Accounts receivable	112,147	-	-	25,986	-	-	138,133
Inventories	102,601	-	-	-	-	-	102,601
Total assets	<u>\$ 3,762,531</u>	<u>\$ 150,908</u>	<u>\$ 13,910</u>	<u>\$ 958,392</u>	<u>\$ 565,122</u>	<u>\$ 440,624</u>	<u>\$ 5,891,487</u>
Liabilities and Fund balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 103,344	\$ -	\$ -	\$ 8,225	\$ -	\$ -	\$ 111,569
Accrued salaries and wages payable	-	150,908	13,910	-	-	-	164,818
Total liabilities	<u>103,344</u>	<u>150,908</u>	<u>13,910</u>	<u>8,225</u>	<u>-</u>	<u>-</u>	<u>276,387</u>
Fund balances:							
Nonspendable:							
Inventories	102,601	-	-	-	-	-	102,601
Restricted:							
Stabilization by State statute	112,147	-	-	25,986	-	-	138,133
School capital outlay	-	-	-	-	565,122	-	565,122
Instructional services	-	-	-	107,016	-	-	107,016
Individual schools	-	-	-	-	-	440,624	440,624
Assigned:							
Special revenues	-	-	-	817,165	-	-	817,165
Unassigned	3,444,439	-	-	-	-	-	3,444,439
Total fund balances	<u>3,659,187</u>	<u>-</u>	<u>-</u>	<u>950,167</u>	<u>565,122</u>	<u>440,624</u>	<u>5,615,100</u>
Total liabilities and fund balances	<u>\$ 3,762,531</u>	<u>\$ 150,908</u>	<u>\$ 13,910</u>	<u>\$ 958,392</u>	<u>\$ 565,122</u>	<u>\$ 440,624</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,073,586
Deferred outflows of resources related to pensions	2,054,799
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(2,560,659)
Net pension liability	(1,807,844)
Deferred inflows of resources related to pensions	(6,593,891)
Net position of governmental activities	<u>\$ 34,781,091</u>

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

MONTGOMERY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

Exhibit 4

	Major Funds					Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	
Revenues:							
State of North Carolina	\$ -	\$ 26,588,103	\$ -	\$ 932,462	\$ 82,714	\$ -	\$ 27,603,279
Montgomery County:							
Local current expense	5,046,769	-	-	-	-	-	5,046,769
Other	-	-	-	-	167,813	-	167,813
U.S. Government	-	-	3,376,705	1,583,417	-	-	4,960,122
Other	569,532	-	-	829,116	11,356	998,930	2,408,934
Total revenues	5,616,301	26,588,103	3,376,705	3,344,995	261,883	998,930	40,186,917
Expenditures:							
Current:							
Instructional services:							
Regular instructional	1,277,991	15,365,681	217,358	228,505	-	-	17,089,535
Special populations	35,007	2,928,011	1,110,151	45,938	-	-	4,119,107
Alternative programs	38,770	1,491,933	1,490,627	953,965	-	-	3,975,295
School leadership	591,060	1,755,285	-	-	-	-	2,346,345
Co-curricular	225,794	-	-	-	-	981,964	1,207,758
School-based support	212,930	1,172,960	144,592	130,100	-	-	1,660,582
System-wide support services:							
Support and development	45,496	408,606	2,381	-	-	-	456,483
Special population support and development	-	24,507	-	-	-	-	24,507
Alternative programs and services							
support and development	125,701	-	127,673	1,564,957	-	-	1,818,331
Technology support	75,671	357,287	21,147	-	-	-	454,105
Operational support	1,991,600	2,373,611	54,332	413,280	-	-	4,832,823
Financial and human resource services	565,038	380,330	59,288	-	-	-	1,004,656
Accountability	2,425	101,038	-	-	-	-	103,463
System-wide pupil support	114,461	-	-	-	-	-	114,461
Policy, leadership and public relations	400,809	139,204	-	-	-	-	540,013
Ancillary services	-	3,635	-	-	-	-	3,635
Non-programmed charges	-	-	149,156	-	-	-	149,156
Debt service:							
Principal retirement	-	-	-	-	82,712	-	82,712
Capital outlay	-	-	-	-	167,813	-	167,813
Total expenditures	5,702,753	26,502,088	3,376,705	3,336,745	250,525	981,964	40,150,780
Revenues over (under) expenditures	(86,452)	86,015	-	8,250	11,358	16,966	36,137
Other financing uses:							
Transfers to other funds	-	(86,015)	-	-	-	-	(86,015)
Net change in fund balance	(86,452)	-	-	8,250	11,358	16,966	(49,878)
Fund balances:							
Beginning of year	3,770,414	-	-	941,917	553,764	423,658	5,689,753
Decrease in reserve for inventories	(24,775)	-	-	-	-	-	(24,775)
End of year	\$ 3,659,187	\$ -	\$ -	\$ 950,167	\$ 565,122	\$ 440,624	\$ 5,615,100

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, 2015**

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

Net changes in fund balances - total governmental funds	\$ (49,878)
Change in fund balance due to change in reserve for inventory	(24,775)
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.	(1,139,926)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,054,799
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.	82,712
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	(756,846)
Compensated absences	<u>10,049</u>
Total changes in net position of governmental activities	<u>\$ 176,135</u>

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

MONTGOMERY COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

Exhibit 6

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Montgomery County	5,068,616	5,083,616	5,046,769	(36,847)
U.S. Government	-	-	-	-
Other	478,970	478,970	569,532	90,562
Total revenues	5,547,586	5,562,586	5,616,301	53,715
Expenditures:				
Current:				
Instructional services	2,715,484	2,728,196	2,381,552	346,644
System-wide support services	3,700,403	3,702,691	3,321,201	381,490
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	6,415,887	6,430,887	5,702,753	728,134
Revenues over (under) expenditures	(868,301)	(868,301)	(86,452)	781,849
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	868,301	868,301	-	(868,301)
Net change in fund balance	\$ -	\$ -	(86,452)	\$ (86,452)
Fund balances:				
Beginning of year			3,770,414	
Decrease in reserve for inventories			(24,775)	
End of year			\$ 3,659,187	

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

MONTGOMERY COUNTY BOARD OF EDUCATION **Exhibit 6 (continued)**
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	State Public School Fund			Variance with
	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
Revenues:				
State of North Carolina	\$ 25,414,815	\$ 26,720,876	\$ 26,588,103	\$ (132,773)
Montgomery County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>25,414,815</u>	<u>26,720,876</u>	<u>26,588,103</u>	<u>(132,773)</u>
Expenditures:				
Current:				
Instructional services	22,201,183	23,122,684	22,713,870	408,814
System-wide support services	3,126,872	3,511,432	3,784,583	(273,151)
Ancillary services	86,760	86,760	3,635	83,125
Non-programmed charges	-	-	-	-
Total expenditures	<u>25,414,815</u>	<u>26,720,876</u>	<u>26,502,088</u>	<u>218,788</u>
Revenues over (under) expenditures	-	-	86,015	86,015
Other financing uses:				
Transfers to other funds	-	-	(86,015)	(86,015)
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Decrease in reserve for inventories			-	
End of year			<u>\$ -</u>	

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

MONTGOMERY COUNTY BOARD OF EDUCATION **Exhibit 6 (continued)**
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Montgomery County	-	-	-	-
U.S. Government	1,417,386	4,241,843	3,376,705	(865,138)
Other	-	-	-	-
Total revenues	<u>1,417,386</u>	<u>4,241,843</u>	<u>3,376,705</u>	<u>(865,138)</u>
Expenditures:				
Current:				
Instructional services	1,344,541	3,600,151	2,962,728	637,423
System-wide support services	-	354,542	264,821	89,721
Ancillary services	-	2,717	-	2,717
Non-programmed charges	<u>72,845</u>	<u>284,433</u>	<u>149,156</u>	<u>135,277</u>
Total expenditures	<u>1,417,386</u>	<u>4,241,843</u>	<u>3,376,705</u>	<u>865,138</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
Decrease in reserve for inventories			-	
End of year			<u>\$ -</u>	

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

MONTGOMERY COUNTY BOARD OF EDUCATION **Exhibit 6 (continued)**
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Other Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 545,922	\$ 938,962	\$ 932,462	\$ (6,500)
Montgomery County	-	-	-	-
U.S. Government	240,478	1,936,483	1,583,417	(353,066)
Other	347,134	907,854	829,116	(78,738)
Total revenues	<u>1,133,534</u>	<u>3,783,299</u>	<u>3,344,995</u>	<u>(438,304)</u>
Expenditures:				
Current:				
Instructional services	1,133,534	1,380,208	1,358,508	21,700
System-wide support services	-	2,403,091	1,978,237	424,854
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>1,133,534</u>	<u>3,783,299</u>	<u>3,336,745</u>	<u>446,554</u>
Revenues over (under) expenditures	-	-	8,250	8,250
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	8,250	<u>\$ 8,250</u>
Fund balances:				
Beginning of year			941,917	
Decrease in reserve for inventories			-	
End of year			<u>\$ 950,167</u>	

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

MONTGOMERY COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2015

Exhibit 7

	Enterprise Fund Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 841,058
Due from other governments	102,168
Receivables	319
Inventories	58,048
Total current assets	<u>1,001,593</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>174,611</u>
Total assets	<u>1,176,204</u>
Deferred Outflows of Resources	<u>76,523</u>
Liabilities	
Current liabilities:	
Compensated absences	36,773
Unearned revenue	6,256
Total current liabilities	<u>43,029</u>
Noncurrent liabilities:	
Net pension liability	67,326
Compensated absences	37,302
Total noncurrent liabilities	<u>104,628</u>
Total liabilities	<u>147,657</u>
Deferred Inflows of Resources	<u>245,563</u>
Net position	
Net investment in capital assets	174,611
Unrestricted	684,896
Total net position	<u>\$ 859,507</u>

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

MONTGOMERY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2015

Exhibit 8

	Enterprise Fund Major Fund School Food Service
Operating revenues:	
Food sales	\$ 571,488
Other	2,011
Total operating revenues	<u>573,499</u>
Operating expenses:	
Food cost:	
Purchase of food	1,067,629
Donated commodities	163,167
Salaries and benefits	1,346,093
Indirect costs	239,432
Materials and supplies	104,318
Repairs and maintenance	11,118
Depreciation	39,675
Non-capitalized equipment	2,157
Contracted services	25,449
Other	14,295
Total operating expenses	<u>3,013,333</u>
Operating loss	<u>(2,439,834)</u>
Nonoperating revenues:	
Federal reimbursements	2,095,871
Federal commodities	163,167
State reimbursements	9,464
Indirect costs not paid	234,231
Interest earned	92
Total nonoperating revenues	<u>2,502,825</u>
Income before transfers	62,991
Transfers from other funds	<u>86,015</u>
Change in net position	<u>149,006</u>
Net position, beginning of year, as previously reported	995,204
Restatement	<u>(284,703)</u>
Net position, beginning of year, as restated	<u>710,501</u>
Net position, end of year	<u>\$ 859,507</u>

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

MONTGOMERY COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2015

Exhibit 9

	Enterprise Fund Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 577,219
Cash paid for goods and services	(1,231,892)
Cash paid to employees for services	(1,310,991)
Net cash used by operating activities	(1,965,664)
Cash flows from noncapital financing activities:	
Federal and State reimbursements	2,108,009
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,296)
Cash flows from investing activities:	
Interest earned on investments	92
Net increase in cash and cash equivalents	139,141
Cash and cash equivalents, beginning of year	701,917
Cash and cash equivalents, end of year	\$ 841,058
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,439,834)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	39,675
Pension expense	28,186
Donated commodities	163,167
Salaries paid by special revenue fund	86,015
Indirect costs not paid	234,231
Changes in assets and liabilities:	
Decrease in accounts receivable	2,991
Decrease in inventories	1,585
Decrease in accounts payable and accrued liabilities	(3,310)
Increase in unearned revenue	729
Increase in deferred outflows of resources for pension plan contributions in current fiscal year	(76,523)
Decrease in compensated absences payable	(2,576)
Total adjustments	474,170
Net cash used by operating activities	\$ (1,965,664)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$163,167 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 \$234,231 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 \$86,015 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

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

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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.

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.

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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 funds:

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.

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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 fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant \$1 per share value. 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.

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. Capital Assets

The Board's capital assets are recorded at original cost. Donated assets are listed at their estimated fair value at the date of donation or forfeiture. 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:

	<u>Years</u>
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 outflow 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 one item that meets this criterion - contributions made to the pension plan in the current fiscal year. 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 one item that meet this criterion - pension 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, 2015 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.

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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 [G.S. 115C-425(a)].

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.

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 the Board of Education has assigned to be expended for educational services. This amount can be expended on instructional services, system-wide support services, ancillary services or non-programmed charges.

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, followed by assigned fund balance and lastly, unassigned fund balance. The

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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 \$29,165,991 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
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)	\$ 71,613,045
Less accumulated depreciation	<u>(33,539,459)</u>
Net capital assets	38,073,586
Pension related deferred outflows of resources:	
Contributions made to the pension plan in the current fiscal year	2,054,799
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:	
Compensated absences	(2,560,659)
Net pension liability	<u>(1,807,844)</u>
Deferred inflows of resources related to pensions:	
Differences between contributions and proportional share of contributions and changes in proportion	(64,448)
Differences between expected and actual experience	(421,399)
Difference between projected and actual earnings on plan investments	<u>(6,108,044)</u>
Total adjustment	<u>\$ 29,165,991</u>

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 \$226,013 as follows:

<u>Description</u>	<u>Amount</u>
Change in fund balance due to change in reserve for inventory	\$ (24,775)
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	195,369
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	(1,335,295)

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	82,712
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,054,799
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	(756,846)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>10,049</u>
Total adjustment	<u>\$ 226,013</u>

10. Defined Benefit Pension Plans

For purposes of measuring the net pension asset, 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) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. 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. 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.

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

At June 30, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$2,367,379 and with the State Treasurer of \$0. The bank balances with the financial institutions and the State Treasurer were \$2,539,959 and \$171,349, respectively. Of these balances, \$952,467 was covered by federal depository insurance and \$1,758,841 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 2015, the Board had \$3,959,514 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. The Board has no policy for managing interest rate risk or credit risk.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2015 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	\$ -	\$ 112,147	\$ 112,147
Other governmental activities	164,818	25,986	190,804
Total governmental activities	<u>\$ 164,818</u>	<u>\$ 138,133</u>	<u>\$ 302,951</u>
Business-type activities:			
School Food Service Fund	<u>\$ 102,168</u>	<u>\$ 319</u>	<u>\$ 102,487</u>

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	\$ 150,908	Operating funds from DPI
Federal Grants Fund	<u>13,910</u>	Federal grant funds
Total	<u>\$ 164,818</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 102,168</u>	Federal grant funds

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

4. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 568,931	\$ -	\$ -	\$ 568,931
Capital assets being depreciated:				
Buildings and improvements	65,153,305	-	-	65,153,305
Equipment and furniture	1,055,898	32,533	-	1,088,431
Vehicles	4,639,542	162,836	-	4,802,378
Total capital assets being depreciated	<u>70,848,745</u>	<u>195,369</u>	<u>-</u>	<u>71,044,114</u>
Less accumulated depreciation for:				
Buildings and improvements	27,034,656	1,176,340	-	28,210,996
Equipment and furniture	807,589	46,861	-	854,450
Vehicles	4,361,919	112,094	-	4,474,013
Total accumulated depreciation	<u>32,204,164</u>	<u>1,335,295</u>	<u>-</u>	<u>33,539,459</u>
Total capital assets being depreciated, net	<u>38,644,581</u>			<u>37,504,655</u>
Governmental activity capital assets, net	<u>\$ 39,213,512</u>			<u>\$ 38,073,586</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	\$ 1,328,667	\$ 3,296	\$ 36,716	\$ 1,295,247
Vehicles	23,986	-	-	23,986
Total capital assets being depreciated	<u>1,352,653</u>	<u>3,296</u>	<u>36,716</u>	<u>1,319,233</u>
Less accumulated depreciation for:				
Equipment and furniture	1,117,677	39,675	36,716	1,120,636
Vehicles	23,986	-	-	23,986
Total accumulated depreciation	<u>1,141,663</u>	<u>39,675</u>	<u>36,716</u>	<u>1,144,622</u>
School Food Service capital assets, net	<u>\$ 210,990</u>			<u>\$ 174,611</u>

Depreciation was charged to governmental functions as follows:

System-wide support services	\$ 112,094
Unallocated depreciation	<u>1,223,201</u>
Total	<u>\$ 1,335,295</u>

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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 (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), 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 (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). 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 (10 years for members joining on or after August 1, 2011). 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 10 years of creditable service for members joining TSERS on or after August 1, 2011), 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, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$2,131,322 for the year ended June 30, 2015.

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.

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

At June 30, 2015, the Board reported a liability of \$1,875,170 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 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 both June 30, 2014 and at June 30, 2013, the Board's proportion was .16%.

For the year ended June 30, 2015, the Board recognized pension expense of \$785,032. At June 30, 2015, 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	\$ -	\$ 437,092
Net difference between projected and actual earnings on pension plan investments	-	6,335,514
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	66,848
Board contributions subsequent to the measurement date	2,132,322	-
Total	<u>\$ 2,132,322</u>	<u>\$ 6,839,454</u>

\$2,132,322 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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (1,716,844)
2017	(1,716,844)
2018	(1,716,844)
2019	(1,688,922)
2020	-
Thereafter	-
Total	<u>\$ (6,839,454)</u>

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 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, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 13,461,269	\$ 1,875,170	\$ (7,907,603)

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

Healthcare Benefits

Plan Description. The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees 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 and after October 1, 2006 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 total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, 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 fiscal years ended June 30, 2015, 2014 and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,277,373, \$1,194,447 and \$1,191,558, respectively. These contributions represented 5.49%, 5.40% and 5.30% of covered payroll, respectively.

Long-term 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. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit 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. 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 accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, 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 the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which the member might be entitled should the member become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. 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 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. For the fiscal years ended June 30, 2015, 2014, and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$95,396, \$97,325 and \$98,922, respectively. These contributions represented 0.41%, 0.44% and 0.44% of covered payroll, respectively.

2. Accounts Payable

Accounts payable as of June 30, 2015 are as follows:

	<u>Vendors and Other</u>
Governmental activities:	
General Fund	\$ 103,344
Other governmental activities	<u>8,225</u>
Total governmental activities	<u>\$ 111,569</u>

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)	<u>\$ 6,256</u>

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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	\$ -	\$ 437,092
Net difference between projected and actual earnings on pension plan investments	-	6,335,514
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	66,848
Board contributions subsequent to the measurement date	2,132,322	-
Total	<u>\$ 2,132,322</u>	<u>\$ 6,839,454</u>

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 million per claim. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$3,150,000 each. 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 up to a \$5 million lifetime limit. The Board pays the full 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.

MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

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. During the 2012-2013 fiscal year, the Board entered into such a financing contract for the purchase of school buses. The financing contract requires four equal principal-only payments of \$82,713 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. This contract was paid in full during the year ended June 30, 2015.

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, 2015:

	July 1, 2014	Increases	Decreases	June 30, 2015	Current Portion
Governmental activities:					
Installment purchases	\$ 82,712	\$ -	\$ 82,712	\$ -	\$ -
Net pension liability	9,499,492	-	7,691,648	1,807,844	-
Compensated absences	2,570,708	1,528,231	1,538,280	2,560,659	960,983
Total	<u>\$ 12,152,912</u>	<u>\$ 1,528,231</u>	<u>\$ 9,312,640</u>	<u>\$ 4,368,503</u>	<u>\$ 960,983</u>
Business-type activities:					
Net pension liability	\$ 353,772	\$ -	\$ 286,446	\$ 67,326	\$ -
Compensated absences	76,651	70,450	73,026	74,075	36,773
Total	<u>\$ 430,423</u>	<u>\$ 70,450</u>	<u>\$ 359,472</u>	<u>\$ 141,401</u>	<u>\$ 36,773</u>

Compensated absences 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, 2015 consisted of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 86,015</u>
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MONTGOMERY COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2015

D. Fund Balance

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

Total fund balance - General Fund	\$ 3,659,187
Less:	
Inventories	(102,601)
Stabilization by State statute	<u>(112,147)</u>
Remaining fund balance	<u>\$ 3,444,439</u>

NOTE 3 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2015 in the Other Special Revenue Fund consists of the following:

Medicaid reimbursement program	\$ 418,678
Indirect costs allocated	154,156
Private grants and programs	193,075
Other	<u>63,207</u>
Total other revenues	<u>\$ 829,116</u>

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.

NOTE 5 – CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$7,644,889 and \$284,703, respectively.

**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 TWO FISCAL YEARS***

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

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

**MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,131,322	\$ 1,923,670
Contributions in relation to the contractually required contribution	<u>2,131,322</u>	<u>1,923,670</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 23,293,136	\$ 22,136,594
Contributions as a percentage of covered-employee payroll	9.15%	8.69%

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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Montgomery County:			
County appropriation	\$ 5,013,616	\$ 5,013,616	\$ -
Timber receipts	70,000	33,153	(36,847)
Total Montgomery County	5,083,616	5,046,769	(36,847)
Other:			
Fines and forfeitures	200,000	255,149	55,149
Interest earned on investment	-	15,872	15,872
Refunds and reimbursements	250,000	269,541	19,541
Miscellaneous	28,970	28,970	-
Total other	478,970	569,532	90,562
Total revenues	5,562,586	5,616,301	53,715
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	1,277,991	-
Special populations	-	35,007	-
Alternative programs	-	38,770	-
School leadership	-	591,060	-
Co-curricular	-	225,794	-
School-based support	-	212,930	-
Total instructional services	2,728,196	2,381,552	346,644
System-wide support services:			
Support and development	-	45,496	-
Alternative programs and services			
support and development	-	125,701	-
Technology support	-	75,671	-
Operational support	-	1,991,600	-
Financial and human resource services	-	565,038	-
Accountability	-	2,425	-
System-wide pupil support	-	114,461	-
Policy, leadership and public relations	-	400,809	-
Total system-wide support services	3,702,691	3,321,201	381,490
Total expenditures	6,430,887	5,702,753	728,134
Revenues over (under) expenditures	(868,301)	(86,452)	781,849
Fund balance appropriated	868,301	-	(868,301)
Net change in fund balance	\$ -	(86,452)	\$ (86,452)
Fund balance:			
Beginning of year		3,770,414	
Decrease in reserve for inventories		(24,775)	
End of year		\$ 3,659,187	

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2015

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2014	Fund balances June 30, 2015
West Montgomery High	\$ 275,067	\$ 271,782	\$ 3,285	\$ 79,336	\$ 82,621
East Montgomery High	308,238	270,166	38,072	99,071	137,143
West Middle	75,973	80,894	(4,921)	30,780	25,859
East Middle	93,789	86,810	6,979	51,549	58,528
Candor Elementary	17,819	33,384	(15,565)	38,406	22,841
Green Ridge Elementary	42,629	41,725	904	30,228	31,132
Mt. Gilead Elementary	49,851	53,139	(3,288)	18,455	15,167
Page Street Elementary	39,564	42,429	(2,865)	13,654	10,789
Star-Biscoe Elementary	45,530	47,212	(1,682)	32,192	30,510
Troy Elementary	<u>50,470</u>	<u>54,423</u>	<u>(3,953)</u>	<u>29,987</u>	<u>26,034</u>
Totals	<u>\$ 998,930</u>	<u>\$ 981,964</u>	<u>\$ 16,966</u>	<u>\$ 423,658</u>	<u>\$ 440,624</u>

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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 82,714	\$ 82,714	\$ -
Montgomery County:			
County appropriations	175,000	167,813	(7,187)
Other:			
Interest earned on investments	-	1,666	1,666
Miscellaneous	-	9,690	9,690
Total other	-	11,356	11,356
Total revenues	257,714	261,883	4,169
Expenditures:			
Debt service:			
Principal retirement	328,933	82,712	246,221
Capital outlay:			
Vehicles	175,000	167,813	7,187
Total expenditures	503,933	250,525	253,408
Revenues over (under) expenditures	(246,219)	11,358	257,577
Other financing sources:			
Installment purchase obligations issued	246,219	-	(246,219)
Net change in fund balance	\$ -	11,358	\$ 11,358
Fund balance:			
Beginning of year		553,764	
End of year		\$ 565,122	

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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 579,000	\$ 571,488	\$ (7,512)
Other	600	2,011	1,411
Total operating revenues	<u>579,600</u>	<u>573,499</u>	<u>(6,101)</u>
Operating expenditures:			
Business support services:			
Purchase of food	-	1,066,044	-
Donated commodities	-	163,167	-
Salaries and benefits	-	1,397,006	-
Indirect costs	-	239,432	-
Materials and supplies	-	104,318	-
Repairs and maintenance	-	11,118	-
Non-capitalized equipment	-	2,157	-
Contracted services	-	25,449	-
Other	-	14,295	-
Capital outlay	-	3,296	-
Total operating expenditures	<u>3,305,450</u>	<u>3,026,282</u>	<u>279,168</u>
Operating loss	<u>(2,725,850)</u>	<u>(2,452,783)</u>	<u>273,067</u>
Nonoperating revenues:			
Federal reimbursements and grants	2,137,750	2,095,871	(41,879)
Federal commodities	163,000	163,167	167
State reimbursements	10,000	9,464	(536)
Indirect costs not paid	260,000	234,231	(25,769)
Interest earned	100	92	(8)
Total nonoperating revenues	<u>2,570,850</u>	<u>2,502,825</u>	<u>(68,025)</u>
Excess (deficiency) of revenues over expenditures before other financing sources and fund balance appropriated	(155,000)	50,042	205,042
Other financing sources:			
Transfers from other funds	85,000	86,015	1,015
Fund balance appropriated	<u>70,000</u>	<u>-</u>	<u>(70,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>136,057</u>	<u>\$ 136,057</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(39,675)	
Contributions to the pension plan in current fiscal year		76,523	
Equipment purchases		3,296	
Decrease in compensated absences payable		2,576	
Decrease in inventories		(1,585)	
Pension expense		<u>(28,186)</u>	
Change in net position (full accrual)		<u>\$ 149,006</u>	



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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, 2015, 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 14, 2015.

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 14, 2015
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report On Compliance with Requirements Applicable to Each Major Federal
Program and Internal Control Over Compliance in Accordance with OMB
Circular A-133 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 *U.S. Office of Management and Budget (OMB) Circular A-133 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, 2015. 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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, 2015.

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 OMB Circular A-133, 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 deficiencies, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*September 14, 2015
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report On Compliance with Requirements Applicable to Each Major State
Program and Internal Control Over Compliance in Accordance with Applicable Sections of
OMB Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts and grants 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 Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, 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, 2015.

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 OMB Circular A-133, 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 deficiencies, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*September 14, 2015
Rockingham, North Carolina*

**MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Noncompliance material to financial statements noted	<i>No</i>

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Type of auditors' report issued on compliance for major federal programs	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<i>No</i>

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	Special Education Cluster:
84.027	Grants to States – IDEA, Part B (611)
84.027	Special Needs Targeted Assistance
84.027	Special Education – Risk Pool
84.173	Preschool Grants – IDEA, Part B (619)
84.173	Preschool Targeted Assistance
84.411	Investing in Innovation (i3) Fund – ARRA

Dollar threshold used to distinguish between Type A and Type B Programs	<u><i>\$ 300,000</i></u>
Auditee qualified as low-risk auditee?	<i>Yes</i>

**MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act

No

Identification of major State programs:

Program Name

State Public School Fund
Vocational Education – State Months of Employment
NC Pre-Kindergarten Program

Section II - Financial Statement Findings

No findings were noted that are required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

No findings and questioned costs related to the audit of federal awards aggregating \$10,000 or more were noted.

Section IV - State Award Findings and Questioned Costs

No findings and questioned costs related to the audit of State awards aggregating \$10,000 or more were noted.

***MONTGOMERY COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2015***

No findings were reported in the prior year.

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2015

Page 1 of 3

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 163,167
Cash Assistance:			
School Breakfast Program	10.553		609,013
National School Lunch Program	10.555		1,396,230
Seamless Summer Program	10.555		19,702
Cash Assistance Subtotal			<u>2,024,945</u>
Total Child Nutrition Cluster			<u>2,188,112</u>
Fresh Fruit and Vegetable Grant	10.582		<u>70,926</u>
Total U.S. Department of Agriculture			<u>2,259,038</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
Investing in Innovation (i3) Fund - ARRA	84.411		1,436,745
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050	1,477,648
Twenty-first Century Community Learning Centers	84.287	PRC 110	284,639
Improving Teacher Quality	84.367	PRC 103	206,205
Language Acquisition Grant	84.365	PRC 104, 111	88,689
Rural and Low Income Schools	84.358	PRC 109	83,568
Title I - School Improvement	84.010	PRC 105	4,069
Special Education Cluster:			
Grants to States - IDEA, Part B (611)	84.027	PRC 060	1,053,961
Special Needs Targeted Assistance	84.027	PRC 118	4,171
Special Education - Risk Pool	84.027	PRC 114	58,298
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	29,715
Preschool Targeted Assistance	84.173	PRC 119	1,933
Total Special Education Cluster			<u>1,148,078</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	11,630
Career and Technical Education - Basic Grants to States			
CTE - Capacity Building Grants	84.048	PRC 058	2,869
Program Development	84.048	PRC 017	<u>69,310</u>
Total U.S. Department of Education			<u>4,813,450</u>

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2015

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Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed-through the N.C. Department of Health and Human Services:			
School Nurse Funding Initiative	93.994		57,140
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	None		89,532
Total Federal Assistance			7,219,160
State Grants:			
<u>N.C. Department of Public Instruction:</u>			
Cash Assistance:			
State Public School Fund			24,946,865
Vocational Education			
State Months of Employment		PRC 013	1,267,015
Program Support Funds		PRC 014	233,004
Driver Training		PRC 012	73,168
School Technology Fund		PRC 015	68,051
Cash assistance subtotal			26,588,103
Non-Cash Assistance:			
State Buses Appropriation			82,714
Total NC Department of Public Instruction			26,670,817
<u>N.C. Department of Agriculture:</u>			
State Reduced Breakfast Program			9,464
<u>N.C. Department of Health and Human Services:</u>			
Division of Child Development:			
Smart Start			84,480
NC Pre-Kindergarten Program			805,122
Division of Public Health:			
School Nurse Funding Initiative			42,860
Total NC Department of Health and Human Services			932,462
Total State Assistance			27,612,743
Total Federal and State Assistance			\$ 34,831,903

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2015

Page 3 of 3

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Montgomery County Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.