

Montgomery County Board of Education

Troy, North Carolina

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

Montgomery County Board of Education
Troy, North Carolina

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2018

Prepared by
Mitchell A. Taylor
and the
Finance Department


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

MONTGOMERY COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

INTRODUCTORY SECTION

	Letter of Transmittal	i
	Board Members and Principal Officers	vi
	Organizational Chart	vii
	Certificate of Achievement for Excellence in Financial Reporting – GFOA	viii
	Certificate of Excellence in Financial Reporting – ASBO	ix

FINANCIAL SECTION

Exhibit		Page No.
	Independent Auditors' Report	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	10
2	Statement of Activities	11
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds	16
7	Statement of Net Position - Proprietary Fund Type	20
8	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund Type	21
9	Statement of Cash Flows - Proprietary Fund Type	22
	Notes to the Financial Statements	24
	Required Supplementary Information:	
	Schedule of the Board's Proportionate Share of the Net Pension Liability – Teachers' and State Employees' Retirement System	47
	Schedule of Board Contributions – Teachers' and State Employees' Retirement System	48
	Schedule of the Board's Proportionate Share of the Net OPEB Liability – Retiree Health Benefit Fund	49
	Schedule of Board Contributions – Retiree Health Benefit Fund	50
	Schedule of the Board's Proportionate Share of the Net OPEB Asset – Disability Income Plan of North Carolina	51
	Schedule of Board Contributions – Teachers' and State Employees' Retirement System	52

FINANCIAL SECTION (continued)

Page No.

Individual Fund Schedules:
- Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund 53
- Schedule of Revenues, Expenditures, and Changes in Fund Balances - Individual Schools Fund 54
- Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Capital Outlay Fund 55
- Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund 56

STATISTICAL SECTION

Table		Page No.
1	Financial Perspective for Governmental and Business-type Activities	59
2	Net Position by Component	60
3	Changes in Net Position	62
4	Governmental Funds – Fund Balances	64
5	Governmental Funds – Changes in Fund Balances	66
6	Operational Expenditures Per Pupil – Expenditures by Function	68
7	Proprietary Fund – Food Services Operations – Revenues by Source	70
8	Proprietary Fund – Food Services Operations – Expenses by Category	72
9	Ratios of Outstanding Debt by Type	74
10	Average Daily Membership	75
11	Student Statistics	76
12	Full-time Equivalent Governmental Employees by Function/Program	78
13	Instructional Personnel	79
14	School Building Data	80
	Montgomery County, North Carolina	
15	Demographic Statistics	81
16	Principal Employers	82
17	Ratios of Outstanding Debt by Type	83
18	Principal Property Taxpayers	84
19	Property Tax Levies and Current Collections	85



Introductory Section

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December 7, 2018

Members of the Montgomery County Board of Education and Citizens of Montgomery County, North Carolina:

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of the Montgomery County Board of Education, operating as "Montgomery County Schools", for the fiscal year ended June 30, 2018, is herewith submitted. Responsibility for accuracy, completeness, and clarity of the report rests with the Superintendent and Chief Financial Officer.

This report was prepared by the Finance Department in accordance with the requirements and guidelines promulgated by the Governmental Accounting Standards Board. We believe the data is accurate in all material respects and is presented in a manner designed to reflect fairly the financial position and results of operations of the Board. Disclosures necessary to enable the reader to gain maximum understanding of the Board's financial activity have been included.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The Montgomery County Board of Education (Board) is the level of government having oversight responsibility and control over activities related to public school education in Montgomery County, North Carolina. For the 2017-2018 fiscal year, the school system served approximately 3,900 students from kindergarten through 12th grade in 6 elementary schools, 2 middle schools, 2 high schools, 1 alternative school, and 1 early college. The school system provides general, special and vocational education services. The school system receives local, State, and federal government funding and must comply with the legal requirements of each funding source entity. While the Board does receive county funding, the county is not entitled to share in any surplus nor is it required to finance any deficits. The Board, whose members are elected by the citizens of Montgomery County, has the authority to designate management, make binding decisions, and significantly influence operations. However, the Board has no tax levying or borrowing authority and is required to maintain accounting records in a uniform State format. The Board has final approval over the budget and primary accountability for fiscal matters. Accordingly, the Montgomery County Board of Education is not included in any other reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The Montgomery County area continues to experience a period of decline in industry and business. The community is involved and interested in public schools but local financial support has been reduced in the past nine years due to the decline in revenues.

Montgomery County has not experienced economic growth in the past several years and is not anticipating growth in the near future. Montgomery County is moving in the direction of developing economic and community revitalization. The county is also focusing on travel and tourism development. Montgomery County is surrounded by the Uwharrie Mountains, national forest and lakes. These areas are statewide attractions and the county's largest asset. Montgomery County is known as a great place to hunt, fish, hike and bike. Water sports are also a big attraction. Much effort is put forth each year in planning for the Uwharrie Mountain Festival which is held in the fall; many people come for the festival and discover all the natural resources the county has to offer.

The Board of County Commissioners increased the local county appropriation by approximately $835,000 over the previous year. However, local county appropriations have decreased over the past nine years. As a result, the Board of Education has had to reduce the number of employees in the school system over the same period. This decrease in staffing has required internal restructuring within the school system in order to continue providing a high level of service to the students.

Over the past ten years, the Board has experienced a decline in student enrollment of approximately 10.4%. The Board expects student enrollment to level off and remain consistent over the next several years.

Our two high schools were built in 1960 and are in need of constant repairs and updating in the science and technology areas. During 2016, the Board of Education along with the County Commissioners approved the construction of a new high school that would replace the two existing high schools and combine them into one. The county secured $70 million of funding from a USDA Rural Development loan that will be used to fund the project. The new school is expected to open in the fall of 2019. Our middle schools were built in 1990 and have recently been reroofed. They are considered to be in overall good condition.

MAJOR INITIATIVES

The focus of the school system for the next several years will primarily be in the following areas:

- Promote the ideal of success for all students.
- Promote a child-centered culture of health, rigor, and high expectations.
- Promote the importance of graduation and improve the graduation rate.
- Promote family engagement at all school locations.
- Promote distance learning and college opportunities for students.
- Promote understanding of the demands of the 21st century.
- Promote student engagement and improve student achievement.
- Promote the technology that is available and increase technology and its integration in instruction.
- Promote effectiveness and efficiency of operations to maximize available resources.

The record of accomplishments for the Montgomery County Board of Education continued in fiscal year 2017-2018. Some of these accomplishments include:

- Montgomery Learning Academy (MLA) has been successful in reducing the dropout rate. The alternative school has provided the opportunity of flexible scheduling for students to graduate who otherwise would have dropped out of school. The dropout rate decreased from 2.54% to 2.04%, within the past eight years, which is below the 2017 State average of 2.31%. The 2018 State average has not yet been released by the NC Department of Public Instruction.

- In response to the need for providing a diploma track for handicapped children who would never meet standard graduation requirements without intense supports in place, the Board of Education has continued to implement an occupational diploma, which clearly delineates skills and credits

attained by children with major handicapping conditions. This has helped with their placement in the workplace after graduation.

- In recent years, Montgomery County Schools has demonstrated improvement in performances in the State testing program. Eight of the nine schools participating in the traditional State Accountability Model met or exceeded growth. There is a one-to-one digital initiative in place for grades K-12. Via Career and Technical Education, students have access to work-based learning opportunities, internships, apprenticeships, industry recognized credentials and post-secondary course credit. Montgomery County Schools led the region in Career and Technical Education enrollment with 80% of high school students completing Career and Technical Education coursework.

FINANCIAL AND BUDGETARY CONTROLS

The cost of public school education in North Carolina is financed primarily by the State, which establishes minimum programs. Local funds supplement the basic program and are appropriated by the local board of county commissioners. Local boards of education have no tax levying or borrowing authority and are required to maintain accounting records in a uniform State format.

Monthly reports on transactions of State and federal funds and details of disbursements from State funds are submitted to the North Carolina Department of Public Instruction for review. Interim financial reports are presented quarterly to the Board of Education.

Financial activities throughout the year are controlled in accordance with the North Carolina School Budget and Fiscal Control Act, which requires a pre-audit procedure to ensure availability of funds prior to the issuance of purchase orders or payment of claims. Outstanding purchase orders at the end of the fiscal year related to normal operations are cancelled and renewed in the following fiscal year.

Internal accounting controls are given consideration in developing and improving the Board's accounting system. Internal controls are designed to provide reliability of financial records for preparing financial statements and maintaining accountability for assets. The cost of a control should not exceed the benefits derived, therefore, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

North Carolina General Statues requires all governmental units in the state to adopt a balanced budget by July 1 of each year. The Board has the final approval over the budget and primary accountability for fiscal matters (including any deficits). 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. The Board's annual Budget Resolution authorizes expenditures by purpose on a modified accrual basis. For internal management purposes, the budget is detailed and compared to expenditures and encumbrances by line item within each function and project. The budget amounts reflected in the accompanying financial statements represent the final budgets as amended for the fiscal year.

INDEPENDENT AUDIT

Anderson Smith & Wike PLLC, independent certified public accountants, whose opinion is expressed on page one, have audited the financial statements. The Montgomery County Board of Education complies with the requirements of the Single Audit Act for which separate reports are issued.

FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) and the Association of School Business Officials (ASBO) awarded Certificates of Achievement for Excellence in Financial Reporting to the Board for its comprehensive annual financial report for the year ended June 30, 2017. In order to be awarded Certificates of Achievement, the Board published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

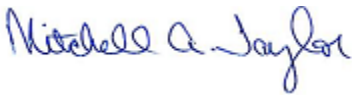
The preparation of this report could not have been accomplished without the dedicated efforts of the finance staff and the Board's independent certified public accounting firm of Anderson Smith & Wike PLLC. We wish to express appreciation to all employees who assisted in the timely closing of the Montgomery County Board of Education's fiscal records as well as the preparation of this report.

We would also like to express appreciation to the members of The Board of Education for their support in planning and conducting the financial affairs of the school system in a responsible and professional manner.

Respectfully submitted,



Dr. Dale Ellis
Superintendent



Mitchell A. Taylor
Chief Financial Officer


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

Montgomery County Board of Education
Troy, North Carolina

July 1, 2017 - June 30, 2018

Board Members

Steven DeBerry, *Chairman*
Tommy Blake, *Vice Chairman*

Shirley Threadgill
Bryan Dozier
Ann Long
Sandra Miller
Jesse Hill

Principal Officers

Dr. Dale Ellis, *Superintendent*
Dr. Kevin Lancaster, *Deputy Superintendent*
Dr. Takeda LeGrand, *Assistant Superintendent*
Tracy Grit, *Assistant Superintendent*

Montgomery County Schools will graduate life-ready, globally competitive students who are leaders in their community, who value diversity and who are College and Career Ready.

Board of Education
Clerk to the Board of Education
Pam Cameron

Superintendent
Dr. Dale Ellis
Administrative Assistant
Pam Cameron

MONTGOMERY COUNTY SCHOOLS
Life-Ready
Globally Competitive

Assistant Superintendent Of Learning
Tracy Grit
K-12 Curriculum
Federal Programs
State Grants
Local Instructional Initiatives

Federal Program Administrative Assistant
Shannon Robinson

Director of Secondary Education/ CTE Program
Wade Auman

Director of Curriculum Support
Dr. Alisha Ellis
Instructional Facilitators
Media
Elementary Technology Training

Afterschool & PreK Coordinator
Vance Thomas

Director of Elementary Education/ AIG Program
Deidra Steed

Chief Financial Officer
Mitch Taylor

Assistant Finance Officer
Lisa Ritter
Benefits Representative
Michelle Brady
Accounts Payable
Donna Morris
AR/Federal Programs
Cheryl Kime

Medicaid Billing
Dr. Chuck Dulin

Assistant Superintendent of Accountability, Diversity and Equity
Dr. Takeda Legrand
PowerSchool Coordinator
EVAAS
PDSA
SACS AdvancED Accrediation
A+ Program
Partnership Development
Partnership Development
Human Capital Development

Director of Exceptional Children
Dr. Chuck Dulin
Homebound, Homeless
School Psychologists
Safe and Drug Free Schools
Discipline Data
School Crime and Violence

Adminstrative Assistant
Irma Robledo

Compliance Specialist
DeeDee Terry

Behavior Specialist
Michael Dowdy
Krystal Kimery

Principals
Jamese Black
Benjie Brown
Laurie Brown
Dr. Maxine Brown
Sloan Bourgeois
Janet Deaton
Teresa Dunn
Della Ingram
Carla Miller
Dr. Amy Reynolds
Dr. Heather Seawell
Chanda Stokes

School Staff

Deputy Superintendent
Dr. Kevin Lancaster
Personnel & Auxiliary Services
Athletics
Policies
Driver's Education
Title II/Title IX
Student Assignments/Transfers
Student Services
Appeals
SRO's

Administrative Assistants
Crystal Douglas
Felicia Ward
Aux Services Admin Assist
Shannon Robinson

Public Information Officer
Katie Hursey

Executive Director of Auxiliary Services
Bill Mingin

Administrative Assistant
Shirley Harris

ILT/National Board Support Coordinator
Deidra Steed

Nurses
Susan Brooks
Brenda DeBerry
Sunshine Dennis
Tina Luther
Amber Taylor

Assistant Director of Transportation
Russ Brown

Transportation Specialist
Jamie Smith

Director of Technology
Rodney Neal

Technicians
David Kellis
Matt DeBerry
Caleb Stout

Director of Child Nutrition
Donnie Lynthacum

Administrative Assistant
Andrea Vuncannon

Director of Business and Community Partnership
Dr. Jack Cagle

Receptionist
April Greene

Student Assistance
Alicia Beard
Karen Dozier

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County Board of Education

North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Montgomery County Board of Education

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso, CAE
Executive Director


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA



Financial Section

A S W ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Montgomery County Board of Education
Troy, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery County Board of Education, as of and for the year ended June 30, 2018 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, 2018, 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.

Emphasis of Matter

As discussed in Note 5 to the financial statements, beginning balances were restated due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Our opinion is not modified with respect to these changes.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 and the Schedules of the Board's Proportionate Share of the Net Pension Liability, OPEB Liability and OPEB Asset and the Schedules of Board Contributions on pages 47 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montgomery County Board of Education's basic financial statements. The introductory section, individual nonmajor fund schedule, budgetary schedules, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund schedule and budgetary schedules 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 and budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2018 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 18, 2018
Rockingham, North Carolina

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, 2018. 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. As a result, net position as previously reported at June 30, 2017 for governmental and business-type activities decreased by $56.4 million and $2.1 million, respectively. For the fiscal year ended June 30, 2018, the Board's total government-wide net position (not including the decrease in net position due to the GASB 75 restatement) decreased by $2.5 million. Governmental activities net position decreased by $2.2 million and business-type activities net position decreased by $334,000.

- Total government-wide net investment in capital assets increased by $1.4 million, or 3.9%, over the prior year. Governmental activities net investment in capital assets increased by $1.5 million and business-type activities net investment in capital assets decreased by $35,000.
- Total governmental activities restricted net position decreased by $154,000, or 13.2%, from the prior year.
- The Board's total government-wide unrestricted net position at June 30, 2018 decreased by $62.4 million from the prior year due largely to the $58.6 million GASB 75 restatement. Net of this restatement, governmental activities unrestricted net position decreased by $3.5 million while business-type activities unrestricted net position decreased by $305,000 from the prior year.
- Financial reporting awards from the Association of School Business Officials International and the Government Finance Officers Association were received for the sixth 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.

The second set of statements included in the basic financial statements is the *Fund Financial Statements,* which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the

near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting.

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

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

Montgomery County Board of Education has two types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements,

in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund, the Other Special Revenue Fund and the Federal Grants Fund.

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

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

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

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $26.2 million as of June 30, 2018 as compared to assets and deferred outflows exceeding liabilities and deferred inflows by $34.9 million as of June 30, 2017, a decrease of $61.1 million. As previously discussed, this decrease is primarily due to the implementation of GASB 75 during the year which had the effect of reducing beginning of year net position by $58.6 million. Following is a summary of the Statement of Net Position at June 30, 2018 and 2017:

Table 1
Condensed Statement of Net Position
As of June 30, 2018 and 2017

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Current assets	$ 4,906,068	$ 6,282,343	$ 892,733	$ 997,249	$ 5,798,801	$ 7,279,592
Capital assets	38,588,001	37,023,396	99,779	134,991	38,687,780	37,158,387
Total assets	43,494,069	43,305,739	992,512	1,132,240	44,486,581	44,437,979
Deferred outflows of resources	9,748,857	9,685,437	383,456	364,657	10,132,313	10,050,094
Current liabilities	2,044,899	1,759,860	47,556	42,815	2,092,455	1,802,675
Long-term liabilities	59,465,166	16,455,625	2,309,443	591,445	61,774,609	17,047,070
Total liabilities	61,510,065	18,215,485	2,356,999	634,260	63,867,064	18,849,745
Deferred inflows of resources	16,281,068	713,614	640,393	26,868	16,921,461	740,482
Net investment in capital assets	37,788,564	36,317,120	99,779	134,991	37,888,343	36,452,111
Restricted net position	1,014,022	1,168,412	6,199	-	1,020,221	1,168,412
Unrestricted net position (deficit)	(63,350,793)	(3,423,455)	(1,727,402)	700,778	(65,078,195)	(2,722,677)
Total net position (deficit)	$ (24,548,207)	$ 34,062,077	$ (1,621,424)	$ 835,769	$ (26,169,631)	$ 34,897,846

The net position of the Board's governmental activities decreased $58.6 million during the year, from $34.1 million at June 30, 2017 to $(24.5) million at June 30, 2018, indicating a decline in the financial condition of the Board. The GASB 75 restatement accounted for the majority of this decrease, reducing beginning of year governmental activities net position by $56.4 million. Restricted net position decreased by $154,000 while unrestricted net position decreased $59.9 million compared to the prior

year, due primarily to implementation of GASB 75. Net investment in capital assets increased $1.5 million due to an excess of capital additions over depreciation expense for the year.

Net of a reduction of $2.1 million to beginning of year net position for implementation of GASB 75, the net position of the Board's business-type activities decreased $334,000 during the year. This decrease is the net loss incurred by our school food service operations during the 2018 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, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Revenues:						
Program revenues:						
Charges for services	$ 1,002,059	$ 1,137,696	$ 461,704	$ 496,413	$ 1,463,763	$ 1,634,109
Operating grants and contributions	31,332,828	31,334,553	2,317,967	2,436,409	33,650,795	33,770,962
Capital grants and contributions	427,702	297,486	-	-	427,702	297,486
General revenues:						
County appropriations	6,567,542	5,732,975	-	-	6,567,542	5,732,975
State appropriations	927,331	1,092,628	-	-	927,331	1,092,628
Other revenues	675,680	638,144	95	98	675,775	638,242
Total revenues	40,933,142	40,233,482	2,779,766	2,932,920	43,712,908	43,166,402
Expenses:						
Governmental activities:						
Instructional services	33,147,107	31,454,012	-	-	33,147,107	31,454,012
System-wide support services	8,614,814	8,677,782	-	-	8,614,814	8,677,782
Ancillary services	30,600	38,651	-	-	30,600	38,651
Unallocated depreciation	1,219,115	1,220,021	-	-	1,219,115	1,220,021
Business-type activities:						
School food service	-	-	3,197,783	3,070,911	3,197,783	3,070,911
Total expenses	43,011,636	41,390,466	3,197,783	3,070,911	46,209,419	44,461,377
Excess (deficiency) before transfers	(2,078,494)	(1,156,984)	(418,017)	(137,991)	(2,496,511)	(1,294,975)
Transfers in (out)	(83,782)	(88,273)	83,782	88,273	-	-
Increase (decrease) in net position	(2,162,276)	(1,245,257)	(334,235)	(49,718)	(2,496,511)	(1,294,975)
Beginning net position, as previously reported	34,062,077	35,307,334	835,769	885,487	34,897,846	36,192,821
Restatement (Note 5)	(56,448,008)	-	(2,122,958)	-	(58,570,966)	-
Beginning net position (deficit), restated	(22,385,931)	35,307,334	(1,287,189)	885,487	(23,673,120)	36,192,821
Ending net position (deficit)	$ (24,548,207)	$ 34,062,077	$ (1,621,424)	$ 835,769	$ (26,169,631)	$ 34,897,846

Total governmental activities generated revenues of $40.9 million while expenses in this category totaled $43.0 million for the year ended June 30, 2018, resulting in a decrease in net position of $2.2 million (including transfers to business-type activities of $84,000). Comparatively, revenues were $40.2 million, expenses totaled $41.4 million and transfers out were $88,000 for the year ended June 30, 2017, resulting in a decrease in net position of $1.2 million.

In comparing the two years, revenues increased $700,000, or 1.7%, while expenses increased by $1.6 million, or 3.9%. The change in revenues is primarily due to a $895,000 increase in capital outlay appropriations from the County used for the East Middle School wing addition. The overall increase in expenses is largely attributable to the implementation of GASB 75 which required the recording of $2.6 million of OPEB expense. See the footnotes for detailed information regarding pension and OPEB-related amounts and disclosures.

The Board's primary sources of revenues were funding from the State of North Carolina, Montgomery County, and the United States Government, which respectively comprised 69.7%, 16.0% and 9.0% of our total revenues. As would be expected, the major component of our expenses was instructional services which accounted for 77.1% of our total expenses during the most recent fiscal year. Of the remaining 22.9% of our total expenses, 20.0% was attributable to system-wide support services.

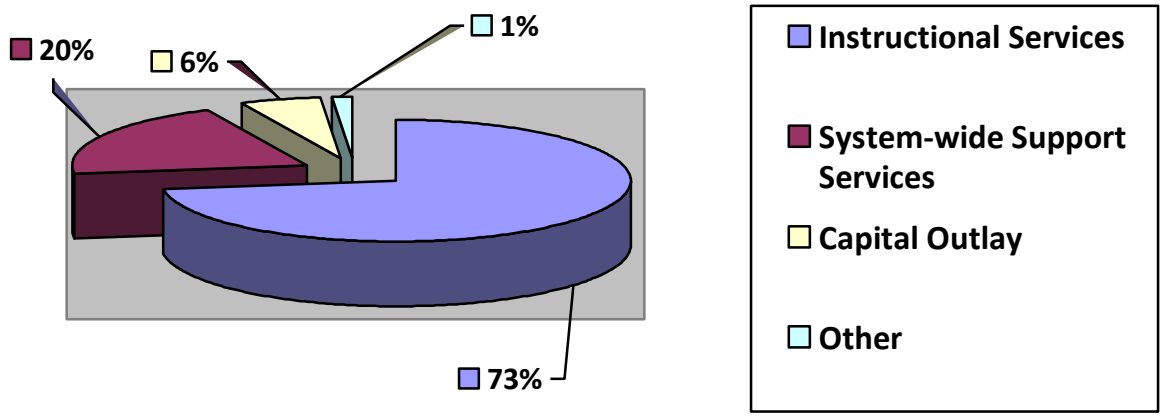
Our business-type activities generated revenues of $2.8 million while expenses in this category totaled $3.2 million for the year ended June 30, 2018. For the year, net position decreased by $334,000 (including transfers in of $84,000). Comparatively, revenues were $2.9 million and expenses were $3.1 million for the year ended June 30, 2017, resulting in a decrease in net position of $50,000 (including transfers in of $88,000). In comparing the two years, food sales and federal reimbursements decreased by a combined $162,000 due to a decline in the number of meals served. Food costs also decreased by $95,000 due to the decline in meals served. Salaries and benefits increased by $235,000 due largely to the implementation of GASB 75 which resulted in a year-over-year increase of $162,000 in retirement expense.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of $4.1 million at June 30, 2018, a decrease of $1.7 million from the $5.8 million reported at June 30, 2017. The Board's General, Other Special Revenue, Capital Outlay and Individual Schools funds each reported a decrease in fund balance for the 2017-2018 year. The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues in these two funds are required to be expended in the year received. Overall, total governmental fund revenues increased by $707,000, or 1.8%, while total expenditures increased by $2.2 million, or 5.4%, over the prior year. In comparing the two years, an $895,000 increase in capital appropriations from the County contributed to the overall increase in revenues while capital expenditures for a new wing at East Middle School was the primary factor in the increase in expenditures.

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 a decrease in net position of $334,000 for the fiscal year ended June 30, 2018 compared to a decrease of $50,000 for the same 2017 period. See the section above titled *Financial Analysis of the Board as a Whole* for more discussion regarding School Food Service Fund operating results for the year.

General Fund Budgetary Highlights

Over the course of a year, the Board will revise the budget, as necessary, to account for changes in revenue expectations and program allocations. However, during the year ended June 30, 2018, 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 $38.7 million at June 30, 2018 compared to $37.2 million at June 30, 2017, an increase of 4.1%. 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, 2018 and 2017:

Table 3
Summary of Capital Assets
As of June 30, 2018 and 2017

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17
Land	$ 568,931	$ 568,931	$ -	$ -	$ 568,931	$ 568,931
Construction in progress	2,766,820	388,692	-	-	2,766,820	388,692
Buildings and improvements	33,404,752	34,579,863	-	-	33,404,752	34,579,863
Equipment and furniture	176,567	206,722	99,779	134,991	276,346	341,713
Vehicles	1,670,931	1,279,188	-	-	1,670,931	1,279,188
Total	$ 38,588,001	$ 37,023,396	$ 99,779	$ 134,991	$ 38,687,780	$ 37,158,387

Debt Outstanding

During the year, the Board's long-term debt increased $93,000 to $799,000 at June 30, 2018. 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, 2018, Montgomery County experienced an unemployment rate of approximately 4.2% as compared to an unemployment rate of approximately 4.3% at June 30, 2017. Montgomery County's unemployment rate is the same as the June 30, 2018 State of N.C. and national unemployment rates which were also both 4.2%.
- Due to limited regional growth, the Board expects enrollment to remain consistent for the next year.

Requests for Information

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

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 1***
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 4,299,942	$ 728,880	$ 5,028,822
Due from other governments	332,870	71,697	404,567
Receivables	36,342	2,584	38,926
Net OPEB asset	81,959	3,224	85,183
Inventories	154,955	86,348	241,303
Capital assets:			
Land and construction in progress	3,335,751	-	3,335,751
Other capital assets, net of depreciation	35,252,250	99,779	35,352,029
Total capital assets	38,588,001	99,779	38,687,780
Total assets	43,494,069	992,512	44,486,581
Deferred Outflows of Resources	9,748,857	383,456	10,132,313
Liabilities			
Accounts payable and accrued expenses	384,881	55	384,936
Accrued salaries and wages payable	292,733	-	292,733
Due to other governments	13,359	-	13,359
Unearned revenue	-	8,175	8,175
Long-term liabilities:			
Due within one year	1,353,926	39,326	1,393,252
Due in more than one year	59,465,166	2,309,443	61,774,609
Total liabilities	61,510,065	2,356,999	63,867,064
Deferred Inflows of Resources	16,281,068	640,393	16,921,461
Net position			
Net investment in capital assets	37,788,564	99,779	37,888,343
Restricted for:			
Stabilization by State statute	86,694	-	86,694
School capital outlay	278,769	-	278,769
Individual schools activities	490,940	-	490,940
DIPNC OPEB plan	157,619	6,199	163,818
Unrestricted (deficit)	(63,350,793)	(1,727,402)	(65,078,195)
Total net position (deficit)	$ (24,548,207)	$ (1,621,424)	$ (26,169,631)

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 2***
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	$ 18,518,434	$ -	$ 16,794,222	$ -	$ (1,724,212)	$ -	$ (1,724,212)
Special populations	4,442,200	-	4,406,364	-	(35,836)	-	(35,836)
Alternative programs	4,098,725	-	2,937,346	-	(1,161,379)	-	(1,161,379)
School leadership	2,901,025	-	1,828,058	-	(1,072,967)	-	(1,072,967)
Co-curricular	1,243,818	992,684	-	-	(251,134)	-	(251,134)
School-based support	1,942,905	-	1,459,887	-	(483,018)	-	(483,018)
System-wide support services:							
Support and development	330,051	-	274,382	-	(55,669)	-	(55,669)
Special population support and development	208,812	-	200,733	-	(8,079)	-	(8,079)
Alternative programs and services support and development	621,341	-	93,223	-	(528,118)	-	(528,118)
Technology support	470,403	-	129,615	-	(340,788)	-	(340,788)
Operational support	5,265,904	-	2,557,560	427,702	(2,280,642)	-	(2,280,642)
Financial and human resource services	922,292	9,375	289,655	-	(623,262)	-	(623,262)
Accountability	132,680	-	121,643	-	(11,037)	-	(11,037)
System-wide pupil support	114,500	-	-	-	(114,500)	-	(114,500)
Policy, leadership and public relations	548,831	-	154,462	-	(394,369)	-	(394,369)
Ancillary services	30,600	-	455	-	(30,145)	-	(30,145)
Payments from other governments	-	-	85,223	-	85,223	-	85,223
Unallocated depreciation expense**	1,219,115	-	-	-	(1,219,115)	-	(1,219,115)
Total governmental activities	43,011,636	1,002,059	31,332,828	427,702	(10,249,047)	-	(10,249,047)
Business-type activities:							
School food service	3,197,783	461,704	2,317,967	-	-	(418,112)	(418,112)
Total primary government	$ 46,209,419	$ 1,463,763	$ 33,650,795	$ 427,702	(10,249,047)	(418,112)	(10,667,159)
		General revenues:					
		Unrestricted county appropriations - operating			5,283,849	-	5,283,849
		Unrestricted county appropriations - capital			1,283,693	-	1,283,693
		Unrestricted State appropriations - operating			927,331	-	927,331
		Investment earnings, unrestricted			46,852	95	46,947
		Miscellaneous, unrestricted			628,828	-	628,828
		Transfers			(83,782)	83,782	-
		Total general revenues and transfers			8,086,771	83,877	8,170,648
		Change in net position			(2,162,276)	(334,235)	(2,496,511)
		Net position - beginning, as previously reported			34,062,077	835,769	34,897,846
		Restatement (Note 5)			(56,448,008)	(2,122,958)	(58,570,966)
		Net position (deficit) - beginning, as restated			(22,385,931)	(1,287,189)	(23,673,120)
		Net position (deficit) - ending			$ (24,548,207)	$ (1,621,424)	$ (26,169,631)

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

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

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

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

	Major Funds					Non-major Fund	
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 2,972,162	$ 13,359	$ -	$ 543,513	$ 279,968	$ 490,940	$ 4,299,942
Due from other governments	28,181	264,083	18,435	22,171	-	-	332,870
Accounts receivable	322	-	-	36,020	-	-	36,342
Due from other funds	-	-	-	-	255,993	-	255,993
Inventories	154,955	-	-	-	-	-	154,955
Total assets	$ 3,155,620	$ 277,442	$ 18,435	$ 601,704	$ 535,961	$ 490,940	$ 5,080,102
Liabilities and Fund balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 115,188	$ -	$ -	$ 12,501	$ 257,192	$ -	$ 384,881
Accrued salaries and wages payable	-	264,083	18,435	10,215	-	-	292,733
Due to other funds	255,993	-	-	-	-	-	255,993
Due to other governments	-	13,359	-	-	-	-	13,359
Total liabilities	371,181	277,442	18,435	22,716	257,192	-	946,966
Fund balances:							
Nonspendable:							
Inventories	154,955	-	-	-	-	-	154,955
Restricted:							
Stabilization by State statute	28,503	-	-	58,191	-	-	86,694
School capital outlay	-	-	-	-	278,769	-	278,769
Individual schools	-	-	-	-	-	490,940	490,940
Assigned:							
Subsequent year's expenditures	882,382	-	-	-	-	-	882,382
Special revenues	-	-	-	520,797	-	-	520,797
Unassigned	1,718,599	-	-	-	-	-	1,718,599
Total fund balances	2,784,439	-	-	578,988	278,769	490,940	4,133,136
Total liabilities and fund balances	$ 3,155,620	$ 277,442	$ 18,435	$ 601,704	$ 535,961	$ 490,940	$ 5,080,102

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

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

Total fund balances of governmental funds	$ 4,133,136
Net OPEB asset	81,959
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	38,588,001
Deferred outflows of resources related to pensions	6,412,683
Deferred outflows of resources related to OPEB	3,336,174
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(3,361,810)
Net pension liability	(12,161,220)
Net OPEB liability	(45,296,062)
Deferred inflows of resources related to pensions	(542,094)
Deferred inflows of resources related to OPEB	(15,738,974)
Net position (deficit) of governmental activities	$ (24,548,207)

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 4***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	Major Funds					Non-major Fund	
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	Total Governmental Funds
Revenues:							
State of North Carolina	$ -	$ 26,900,056	$ -	$ 1,317,114	$ 427,702	$ -	$ 28,644,872
Montgomery County:							
Local current expense	5,283,849	-	-	-	-	-	5,283,849
Other	-	-	-	-	1,283,693	-	1,283,693
U.S. Government	-	-	3,273,774	414,203	-	-	3,687,977
Other	362,516	-	-	851,300	11,666	992,684	2,218,166
Total revenues	5,646,365	26,900,056	3,273,774	2,582,617	1,723,061	992,684	41,118,557
Expenditures:							
Current:							
Instructional services:							
Regular instructional	1,690,747	15,289,477	231,579	283,278	-	-	17,495,081
Special populations	9,446	3,076,310	1,123,641	3,701	-	-	4,213,098
Alternative programs	36,020	1,194,850	1,493,439	1,193,104	-	-	3,917,413
School leadership	545,222	2,166,459	1,248	35,180	-	-	2,748,109
Co-curricular	222,667	-	-	-	-	1,008,857	1,231,524
School-based support	265,970	1,070,790	230,066	278,677	-	-	1,845,503
System-wide support services:							
Support and development	26,482	272,760	1,622	24	-	-	300,888
Special population support and development	8,008	200,733	-	-	-	-	208,741
Alternative programs and services support and development	160,580	92,949	274	347,915	-	-	601,718
Technology support	17,898	286,983	3,923	140,804	-	-	449,608
Operational support	2,181,100	2,416,577	57,201	262,624	520,863	-	5,438,365
Financial and human resource services	479,116	471,826	45,558	-	-	-	996,500
Accountability	4,140	121,643	-	-	-	-	125,783
System-wide pupil support	114,461	-	-	-	-	-	114,461
Policy, leadership and public relations	363,040	154,462	-	-	-	-	517,502
Ancillary services	1,058	455	-	29,087	-	-	30,600
Non-programmed charges	-	-	85,223	-	-	-	85,223
Debt service - principal retirement	-	-	-	-	427,702	-	427,702
Capital outlay	-	-	-	-	2,465,671	-	2,465,671
Total expenditures	6,125,955	26,816,274	3,273,774	2,574,394	3,414,236	1,008,857	43,213,490
Revenues over (under) expenditures	(479,590)	83,782	-	8,223	(1,691,175)	(16,173)	(2,094,933)
Other financing sources (uses):							
Transfers from other funds	-	-	-	-	906,101	-	906,101
Transfers to other funds	(356,101)	(83,782)	-	(550,000)	-	-	(989,883)
Installment purchase obligations issued	-	-	-	-	520,863	-	520,863
Total other financing sources (uses)	(356,101)	(83,782)	-	(550,000)	1,426,964	-	437,081
Net change in fund balance	(835,691)	-	-	(541,777)	(264,211)	(16,173)	(1,657,852)
Fund balances:							
Beginning of year	3,606,542	-	-	1,120,765	542,980	507,113	5,777,400
Change in reserve for inventories	13,588	-	-	-	-	-	13,588
End of year	$ 2,784,439	$ -	$ -	$ 578,988	$ 278,769	$ 490,940	$ 4,133,136

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

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

For the Fiscal Year Ended June 30, 2018

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

Net changes in fund balances - total governmental funds	$ (1,657,852)
Change in fund balance due to change in reserve for inventory	13,588
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.	1,564,605
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,447,269
Contributions to the OPEB plans in the current fiscal year are not included on the statement of activities	1,405,251
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.	(93,161)
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	(3,254,209)
Net OPEB expense	(2,574,146)
Compensated absences	(13,621)
Total changes in net position of governmental activities	$ (2,162,276)

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	5,293,000	5,293,000	5,283,849	(9,151)
U.S. Government	-	-	-	-
Other	320,948	320,948	362,516	41,568
Total revenues	5,613,948	5,613,948	5,646,365	32,417
Expenditures:				
Current:				
Instructional services	3,010,386	2,852,535	2,770,072	82,463
System-wide support services	3,482,562	3,635,561	3,354,825	280,736
Ancillary services	-	4,852	1,058	3,794
Non-programmed charges	-	-	-	-
Total expenditures	6,492,948	6,492,948	6,125,955	366,993
Revenues over (under) expenditures	(879,000)	(879,000)	(479,590)	399,410
Other financing uses:				
Transfers to other funds	-	(535,000)	(356,101)	178,899
Fund balance appropriated	879,000	1,414,000	-	(1,414,000)
Net change in fund balance	$ -	$ -	(835,691)	$ (835,691)
Fund balances:				
Beginning of year			3,606,542	
Change in reserve for inventories			13,588	
End of year			$ 2,784,439	

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6 (continued)***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State of North Carolina	$ 25,924,890	$ 27,403,969	$ 26,900,056	$ (503,913)
Montgomery County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	25,924,890	27,403,969	26,900,056	(503,913)
Expenditures:				
Current:				
Instructional services	22,271,402	23,231,456	22,797,886	433,570
System-wide support services	3,653,488	4,087,513	4,017,933	69,580
Ancillary services	-	1,000	455	545
Non-programmed charges	-	-	-	-
Total expenditures	25,924,890	27,319,969	26,816,274	503,695
Revenues over (under) expenditures	-	84,000	83,782	(218)
Other financing uses:				
Transfers to other funds	-	(84,000)	(83,782)	218
Fund balance appropriated	-	-	-	-
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			-	
End of year			$ -	

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2018

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	-	-	-	-
U.S. Government	252,060	3,566,530	3,273,774	(292,756)
Other	-	-	-	-
Total revenues	252,060	3,566,530	3,273,774	(292,756)
Expenditures:				
Current:				
Instructional services	226,245	3,342,027	3,079,973	262,054
System-wide support services	23,172	126,716	108,578	18,138
Ancillary services	-	-	-	-
Non-programmed charges	2,643	97,787	85,223	12,564
Total expenditures	252,060	3,566,530	3,273,774	292,756
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
Change in reserve for inventories			-	
End of year			$ -	

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6 (continued)***
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
State of North Carolina	$ 1,261,292	$ 1,335,843	$ 1,317,114	$ (18,729)
Montgomery County	-	-	-	-
U.S. Government	410,037	419,803	414,203	(5,600)
Other	532,817	967,798	851,300	(116,498)
Total revenues	2,204,146	2,723,444	2,582,617	(140,827)
Expenditures:				
Current:				
Instructional services	1,768,818	1,842,045	1,793,940	48,105
System-wide support services	458,994	851,826	751,367	100,459
Ancillary services	20,000	29,573	29,087	486
Non-programmed charges	-	-	-	-
Total expenditures	2,247,812	2,723,444	2,574,394	149,050
Revenues over (under) expenditures	(43,666)	-	8,223	8,223
Other financing uses:				
Transfers to other funds	-	(550,000)	(550,000)	-
Fund balance appropriated	43,666	550,000	-	(550,000)
Net change in fund balance	$ -	$ -	(541,777)	$ (541,777)
Fund balances:				
Beginning of year			1,120,765	
Change in reserve for inventories			-	
End of year			$ 578,988	

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 7***
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2018

	Enterprise Fund Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	$ 728,880
Due from other governments	71,697
Receivables	2,584
Net OPEB asset	3,224
Inventories	86,348
Total current assets	892,733
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	99,779
Total assets	992,512
Deferred Outflows of Resources	383,456
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	55
Compensated absences	39,326
Unearned revenue	8,175
Total current liabilities	47,556
Noncurrent liabilities:	
Net pension liability	478,345
Net OPEB liability	1,781,656
Compensated absences	49,442
Total noncurrent liabilities	2,309,443
Total liabilities	2,356,999
Deferred Inflows of Resources	640,393
Net position	
Investment in capital assets	99,779
DIPNC OPEB plan	6,199
Unrestricted (deficit)	(1,727,402)
Total net position (deficit)	$ (1,621,424)

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 8***
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2018

	Enterprise Fund Major Fund School Food Service
Operating revenues:	
Food sales	$ 458,723
Other	2,981
Total operating revenues	461,704
Operating expenses:	
Food cost:	
Purchase of food	989,912
Donated commodities	187,886
Salaries and benefits	1,731,843
Indirect costs	217,963
Materials and supplies	91,341
Repairs and maintenance	14,908
Depreciation	35,212
Contracted services	24,736
Other	21,753
Total operating expenses	3,315,554
Operating loss	(2,853,850)
Nonoperating revenues:	
Federal reimbursements	2,118,279
Federal commodities	187,886
State reimbursements	11,802
Indirect costs not paid	117,771
Interest earned	95
Total nonoperating revenues	2,435,833
Loss before transfers	(418,017)
Transfers from other funds	83,782
Change in net position	(334,235)
Net position, beginning of year, as previously reported	835,769
Restatement (Note 5)	(2,122,958)
Net position (deficit), beginning of year, as restated	(1,287,189)
Net position (deficit), end of year	$ (1,621,424)

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 9***
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2018

	Enterprise Fund Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	$ 457,751
Cash paid for goods and services	(1,256,798)
Cash paid to employees for services	(1,457,058)
Other operating revenue	2,981
Net cash used by operating activities	(2,253,124)
Cash flows from noncapital financing activities:	
Federal and State reimbursements	2,145,515
Cash flows from investing activities:	
Interest earned on investments	95
Net decrease in cash and cash equivalents	(107,514)
Cash and cash equivalents, beginning of year	836,394
Cash and cash equivalents, end of year	$ 728,880
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (2,853,850)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	35,212
Donated commodities	187,886
Salaries paid by special revenue fund	83,782
Indirect costs not paid	117,771
Changes in assets and liabilities:	
Increase in accounts receivable	(1,204)
Decrease in net OPEB asset	25
Increase in inventories	(14,004)
Increase in accounts payable and accrued liabilities	48
Increase in unearned revenue	232
Increase in net pension liability	(65,907)
Decrease in net OPEB liability	(398,639)
Increase in deferred outflows	35,289
Decrease in deferred inflows	613,525
Increase in compensated absences payable	6,710
Total adjustments	600,726
Net cash used by operating activities	$ (2,253,124)

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

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of $187,886 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 $117,771 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 $83,782 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as a transfer in and an operating expense on Exhibit 8.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Board reports the following major governmental funds:

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

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

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

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

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

The Board reports the following nonmajor governmental fund:

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

The Board reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF is managed by the staff of the Department of State Treasurer and operated in accordance with State laws and regulations. It is not registered with the SEC. It consists of an internal portion and an external portion in which the Board participates. Investments are restricted to those enumerated in G.S. 147-69.1.

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

2. Cash and Cash Equivalents

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

3. Inventories

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

is classified as nonspendable. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

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

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

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

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

5. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has two items that meets this criterion – pension and other post-employment benefit-related deferrals. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has two items that meets this criterion – pension and other post-employment benefit-related deferrals.

6. Long-term Obligations

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

7. Compensated Absences

The Board follows the State’s policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board’s liability for accumulated earned vacation and the salary-related payments as of June 30, 2018 is recorded in the

government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

The sick leave policy of the Board provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Board has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

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

9. Reconciliation of Government-wide and Fund Financial Statements

a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of $(28,681,343) consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$ 76,197,986
Less accumulated depreciation	(37,609,985)
Net capital assets	38,588,001
Net OPEB asset	81,959
Deferred outflows of resources related to pensions	6,412,683
Deferred outflows of resources related to OPEB	3,336,174
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(799,437)
Compensated absences	(2,562,373)
Net pension liability	(12,161,220)
Net OPEB liability	(45,296,062)
Deferred inflows of resources related to pensions	(542,094)
Deferred inflows of resources related to OPEB	(15,738,974)
Total adjustment	$ (28,681,343)

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 $(504,424) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 2,947,770
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	(1,383,165)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(520,863)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net position on the government-wide statements	427,702
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,447,269
Contributions to the OPEB plans in the current fiscal year are not included on the Statement of Activities	1,405,251
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements	
Pension expense	(3,254,209)
OPEB expense	(2,574,146)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(13,621)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	13,588
Total adjustment	$ (504,424)

10. Defined Benefit Pension Plans

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2018, the Board had deposits with banks and savings and loans with a carrying amount of $2,223,008 and with the State Treasurer of $13,359. The bank balances with the financial institutions and the State Treasurer were $2,344,465 and $259,732, respectively. Of these balances, $1,002,028 was covered by federal depository insurance and $1,602,169 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 2018, the Board had $2,792,355 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, 2018. The Board has no investment balances in the NCCMT as of June 30, 2018. The Board has no policy for managing interest rate risk or credit risk. All investments are measured using the market approach. The STIF is classified in Level 2 of the fair value hierarchy and valued using prices that are either directly or indirectly observable for an asset or liability.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2018 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	$ (255,993)	$ 28,181	$ 322	$ (227,490)
Other governmental activities	255,993	304,689	36,020	596,702
Total governmental activities	$ -	$ 332,870	$ 36,342	$ 369,212
Business-type activities:				
School Food Service Fund	$ -	$ 71,697	$ 2,584	$ 74,281

Due from other governments consists of the following:

Governmental activities:		
State Public School Fund	$ 264,083	Operating funds from DPI
Federal Grants Fund	18,435	Federal grant funds
General Fund	28,181	Amounts due from County
Other Special Revenue Fund	22,171	Federal and State grant funds
Total	$ 332,870	
Business-type activities:		
School Food Service Fund	$ 71,697	Federal grant funds

4. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 568,931	$ -	$ -	$ 568,931
Construction in progress	388,692	2,378,128	-	2,766,820
Total capital assets not being depreciated	957,623	2,378,128	-	3,335,751
Capital assets being depreciated:				
Buildings and improvements	65,128,860	-	-	65,128,860
Equipment and furniture	1,155,722	13,849	-	1,169,571
Vehicles	6,008,011	555,793	-	6,563,804
Total capital assets being depreciated	72,292,593	569,642	-	72,862,235
Less accumulated depreciation for:				
Buildings and improvements	30,548,997	1,175,111	-	31,724,108
Equipment and furniture	949,000	44,004	-	993,004
Vehicles	4,728,823	164,050	-	4,892,873
Total accumulated depreciation	36,226,820	1,383,165	-	37,609,985
Total capital assets being depreciated, net	36,065,773			35,252,250
Governmental activity capital assets, net	$ 37,023,396			$ 38,588,001
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	$ 1,315,921	$ -	$ -	$ 1,315,921
Vehicles	23,986	-	-	23,986
Total capital assets being depreciated	1,339,907	-	-	1,339,907
Less accumulated depreciation for:				
Equipment and furniture	1,180,930	35,212	-	1,216,142
Vehicles	23,986	-	-	23,986
Total accumulated depreciation	1,204,916	35,212	-	1,240,128
School Food Service capital assets, net	$ 134,991			$ 99,779

Depreciation was charged to governmental functions as follows:

System-wide support services	$ 164,050
Unallocated depreciation	1,219,115
Total	$ 1,383,165

5. Construction and Other Significant Commitments

At June 30, 2018, the Board had a construction project in progress for a wing addition at East Middle School. At year-end, the Board's commitments with contractors for the remaining portion of the contracts related to this project totaled approximately $367,000.

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. The Board is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2018, was 10.78% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were $2,543,529 for the year ended June 30, 2018.

Refunds of Contributions – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

At June 30, 2018, the Board reported a liability of $12,639,565 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2017 and 2016, the Board's proportion was 0.159% and 0.163%, respectively.

For the year ended June 30, 2018, the Board recognized pension expense of $3,391,440. At June 30, 2018, 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	$ 274,002	$ 413,506
Changes of assumptions	1,996,861	-
Net difference between projected and actual earnings on pension plan investments	1,710,562	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	139,963	149,911
Board contributions subsequent to the measurement date	2,543,529	-
Total	$ 6,664,917	$ 563,417

$2,543,529 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 697,202
2020	2,412,071
2021	1,133,283
2022	(684,585)
Total	$ 3,557,971

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Board's proportionate share of the net pension liability (asset)	$ 26,017,456	$ 12,639,565	$ 1,430,597

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

b. Other Postemployment Benefits

1. Healthcare Benefits

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

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

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

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

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or

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

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

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

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees' health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the Board contributed 6.05% of covered payroll which amounted to $1,427,491.

At June 30, 2018, the Board reported a liability of $47,077,718 for its proportionate share of the net RHBF OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB liability was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and 2016, the Board's proportion was 0.144% and 0.138%, respectively.

$1,427,491 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ (2,880,230)
2020	(2,880,230)
2021	(2,880,230)
2022	(2,880,230)
2023	(2,875,854)
Total	$ (14,396,774)

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

Inflation	2.75%
Salary increases	3.50-8.10%, include 3.5% inflation and productivity factor
Investment rate of return	7.20%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	5.00-6.50%
Healthcare cost trend rate - prescription drug	5.00-7.25%
Healthcare cost trend rate -Medicare advantage	4.00-5.00%
Healthcare cost trend rate - administrative	3.00%

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 3.58%. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 3.58% was used as the discount rate used to measure the total OPEB liability. The 3.58% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2017.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	1% decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Net OPEB liability	$ 56,161,014	$ 47,077,718	$ 39,873,376

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Board's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58 percent) or 1-percentage point higher (4.58 percent) than the current discount rate:

	1% Decrease (Medical - 4.00-5.50%, Pharmacy - 4.00-6.25%, Medicare Advantage - 3.00-4.00%, Administrative - 2.00%)	Healthcare Trend Rates (Medical -5.00-6.50%, Pharmacy - 5.00-7.25%, Medicare Advantage - 4.00-5.00%, Administrative - 3.00%)	1% increase (Medical -6.00-7.50%, Pharmacy - 6.00-8.25%, Medicare Advantage - 5.00-6.00%, Administrative - 4.00%)
Net OPEB liability	$ 38,458,160	$ 47,077,718	$ 58,534,213

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

2. Disability Benefits

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

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

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

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

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2018, employers made a statutory contribution of 0.14% of covered payroll which was equal to the actuarially required contribution. Board contributions to the plan were $33,033 for the year ended June 30, 2018.

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

At June 30, 2018, the Board reported an asset of $85,183 for its proportionate share of the net DIPNC OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The total OPEB liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net OPEB

asset was based on a projection of the Board's present value of future salary, actuarially determined. At June 30, 2017 and 2016, the Board's proportion was 0.139% and 0.144%, respectively.

$33,033 reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ 13,647
2020	13,647
2021	13,643
2022	4,665
Total	$ 45,602

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

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

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

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB asset	$ 72,418	$ 85,183	$ 97,977

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2016 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

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

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

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

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

Following is information related to OPEB expense, proportionate share, assets, liabilities, deferred outflows of resources and deferred inflows of resources reported by the Board as of and for the year ended June 30, 2018:

	RHBF	DIPNC	Total
OPEB expense	$ 2,726,292	$ 46,449	$ 2,772,741
OPEB liability (asset)	47,077,718	(85,183)	46,992,535
Proportionate share of the net OPEB liability (asset)	0.144%	0.139%	
Deferred Outflows of Resources:			
Differences between expected and actual experience	-	23,356	23,356
Net difference between projected and actual earnings on plan investments	-	18,671	18,671
Changes in proportion and differences between Board contributions and proportionate share of contributions	1,961,270	3,575	1,964,845
Board contributions subsequent to the measurement date	1,427,491	33,033	1,460,524
Deferred Inflows of Resources:			
Differences between expected and actual experience	3,375,559	-	3,375,559
Changes of assumptions	12,964,989	-	12,964,989
Net difference between projected and actual earnings on plan investments	17,496	-	17,496

2. Accounts Payable

Accounts payable as of June 30, 2018 are as follows:

	Vendors and Other	Salaries and Benefits	Total
Governmental activities:			
General Fund	$ 115,188	$ -	$ 115,188
Other governmental activities	269,693	292,733	562,426
Total governmental activities	$ 384,881	$ 292,733	$ 677,614

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)	$ 8,175

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	$ 297,358	$ 3,789,065
Changes of assumptions	1,996,861	12,964,989
Net difference between projected and actual earnings on pension and OPEB plan investments	1,729,233	17,496
Changes in proportion and differences between Board contributions and proportionate share of contributions	2,104,808	149,911
Board contributions subsequent to the measurement date	4,004,053	-
Total	$ 10,132,313	$ 16,921,461

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. 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.

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. The Board has entered into three such financing contracts for the purchase of school buses. The original amount of the installment purchase contracts totaled $1,464,589 The financing contracts each require four equal principal-only payments with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates. The future minimum payments of the installment purchases as of June 30, 2018 are as follows:

Year Ending June 30,	Governmental Activities Principal
2019	$ 366,148
2020	303,074
2021	130,215
Total	$ 799,437

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, 2018:

	July 1, 2017	Increases	Decreases	June 30, 2018	Current Portion
Governmental activities:					
Installment purchases	$ 706,276	$ 520,863	$ 427,702	$ 799,437	$ 366,148
Net pension liability	14,455,514	-	2,294,294	12,161,220	-
Net OPEB liability	57,909,426	-	12,613,364	45,296,062	-
Compensated absences	2,548,752	1,621,053	1,607,432	2,562,373	987,778
Total	$ 75,619,968	$ 2,141,916	$ 16,942,792	$ 60,819,092	$ 1,353,926
Business-type activities:					
Net pension liability	$ 544,252	$ -	$ 65,907	$ 478,345	$ -
Net OPEB liability	2,180,295	-	398,639	1,781,656	-
Compensated absences	82,058	77,316	70,606	88,768	39,326
Total	$ 2,806,605	$ 77,316	$ 535,152	$ 2,348,769	$ 39,326

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

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2018 consisted of the following:

From the State Public School Fund to the School Food Service Fund for administrative salary and benefit costs	$ 83,782
From the General Fund to the Capital Outlay Fund for the East Middle School wing addition	$ 356,101
From the Other Special Revenue Fund to the Capital Outlay Fund for the East Middle School wing addition	$ 550,000

2. Interfund Balances

The composition of interfund balances as of June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Outlay Fund	General Fund	$ 255,993

The amount due to the Capital Outlay Fund from the General Fund is for the East Middle School wing addition. This balance is expected to be paid by June 30, 2019.

D. Fund Balance

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

Total fund balance - General Fund	$ 2,784,439
Less:	
Inventories	(154,955)
Stabilization by State statute	(28,503)
Appropriated Fund Balance in 2018-2019 budget	(882,382)
Remaining fund balance	$ 1,718,599

NOTE 3 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2018 in the Other Special Revenue Fund consists of the following:

Medicaid reimbursement program	$	209,476
Tuition and fees		251,413
Indirect costs allocated		185,223
Private grants and programs		145,536
Other		59,652
Total other revenues	$	851,300

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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in the fiscal year ending June 30, 2018. The implementation of the statement required the Board to record beginning net OPEB liability and Net OPEB asset and the effects on net position from contributions made by the Board during the measurement period (fiscal year end June 30, 2017). As a result, net position for the governmental and business-type activities decreased by $56,448,008 and $2,122,958, 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 FIVE FISCAL YEARS*

	2018	2017	2016	2015	2014
Board's proportion of the net pension liability (asset)	0.159%	0.163%	0.159%	0.160%	0.162%
Board's proportionate share of the net pension liability (asset)	$ 12,639,565	$ 14,999,766	$ 5,848,041	$ 1,875,170	$ 9,853,264
Board's covered payroll	$ 22,926,271	$ 22,728,656	$ 23,293,136	$ 22,136,594	$ 22,658,461
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	55.13%	65.99%	25.11%	8.47%	43.49%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

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

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

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

	2018	2017	2016	2015	2014
Contractually required contribution	$ 2,543,529	$ 2,288,042	$ 2,079,672	$ 2,131,322	$ 1,923,670
Contributions in relation to the contractually required contribution	2,543,529	2,288,042	2,079,672	2,131,322	1,923,670
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,594,889	$ 22,926,273	$ 22,728,656	$ 23,293,136	$ 22,136,594
Contributions as a percentage of covered payroll	10.78%	9.98%	9.15%	9.15%	8.69%

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

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

	2018	2017
Board's proportion of the net OPEB liability (asset)	0.144%	0.138%
Board's proportionate share of the net OPEB liability (asset)	$ 47,077,718	$ 60,089,721
Board's covered payroll	$ 22,926,271	$ 22,728,656
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	205.34%	264.38%
Plan fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

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

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

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

	2018	2017	2016	2015	2014
Contractually required contribution	$ 1,427,491	$ 1,341,024	$ 1,278,416	$ 1,277,373	$ 1,194,447
Contributions in relation to the contractually required contribution	1,427,491	1,341,024	1,278,416	1,277,373	1,194,447
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,594,889	$ 22,926,273	$ 22,728,656	$ 23,293,136	$ 22,136,594
Contributions as a percentage of covered payroll	6.05%	5.81%	5.60%	5.49%	5.40%

	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,191,558	$ 1,140,484	$ 1,150,470	$ 1,104,494	$ 1,153,498
Contributions in relation to the contractually required contribution	1,191,558	1,140,484	1,150,470	1,104,494	1,153,498
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 22,482,226	$ 22,809,680	$ 23,478,980	$ 24,544,311	$ 28,134,098
Contributions as a percentage of covered payroll	5.30%	5.00%	4.90%	4.50%	4.10%

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

	2018	2017
Board's proportion of the net OPEB asset	0.139%	0.144%
Board's proportionate share of the net OPEB asset	$ 85,183	$ 89,548
Board's covered payroll	$ 22,926,271	$ 22,728,656
Board's proportionate share of the net OPEB asset as a percentage of its covered payroll	0.37%	0.39%
Plan fiduciary net position as a percentage of the total OPEB asset	116.23%	116.06%

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

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

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

	2018	2017	2016	2015	2014
Contractually required contribution	$ 33,033	$ 87,709	$ 93,598	$ 95,396	$ 97,325
Contributions in relation to the contractually required contribution	33,033	87,709	93,598	95,396	97,325
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 23,595,000	$ 23,081,316	$ 22,828,780	$ 23,267,317	$ 22,119,318
Contributions as a percentage of covered payroll	0.14%	0.38%	0.41%	0.41%	0.44%

	2013	2012	2011	2010	2009
Contractually required contribution	$ 98,922	$ 118,610	$ 122,091	$ 127,630	$ 146,297
Contributions in relation to the contractually required contribution	98,922	118,610	122,091	127,630	146,297
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 22,482,226	$ 22,809,680	$ 23,478,980	$ 24,544,311	$ 28,134,098
Contributions as a percentage of covered payroll	0.44%	0.52%	0.52%	0.52%	0.52%

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Montgomery County:			
County appropriation	$ 5,224,000	$ 5,224,000	$ -
Timber receipts	69,000	59,849	(9,151)
Total Montgomery County	5,293,000	5,283,849	(9,151)
Other:			
Fines and forfeitures	290,000	312,887	22,887
Interest earned on investment	20,000	41,184	21,184
Refunds and reimbursements	10,948	8,445	(2,503)
Total other	320,948	362,516	41,568
Total revenues	5,613,948	5,646,365	32,417
Expenditures:			
Current:			
Instructional services:			
Regular instructional		1,690,747	
Special populations		9,446	
Alternative programs		36,020	
School leadership		545,222	
Co-curricular		222,667	
School-based support		265,970	
Total instructional services	2,852,535	2,770,072	82,463
System-wide support services:			
Support and development		26,482	
Special population support and development		8,008	
Alternative programs and services support and development		160,580	
Technology support		17,898	
Operational support		2,181,100	
Financial and human resource services		479,116	
Accountability		4,140	
System-wide pupil support		114,461	
Policy, leadership and public relations		363,040	
Total system-wide support services	3,635,561	3,354,825	280,736
Ancillary services:			
Nutrition	4,852	1,058	3,794
Total expenditures	6,492,948	6,125,955	366,993
Revenues over (under) expenditures	(879,000)	(479,590)	399,410
Other financing uses:			
Transfers to other funds	(535,000)	(356,101)	178,899
Fund balance appropriated	1,414,000	-	(1,414,000)
Net change in fund balance	$ -	(835,691)	$ (835,691)
Fund balance:			
Beginning of year		3,606,542	
Change in reserve for inventories		13,588	
End of year		$ 2,784,439	

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2018

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2017	Fund balances June 30, 2018
West Montgomery High	$ 281,890	$ 295,743	$ (13,853)	$ 131,740	$ 117,887
East Montgomery High	272,011	262,686	9,325	163,161	172,486
West Middle	68,512	74,910	(6,398)	19,670	13,272
East Middle	68,503	70,621	(2,118)	80,587	78,469
Candor Elementary	26,892	30,275	(3,383)	16,687	13,304
Green Ridge Elementary	33,646	35,843	(2,197)	23,089	20,892
Mt. Gilead Elementary	46,298	44,426	1,872	6,451	8,323
Page Street Elementary	39,064	40,984	(1,920)	9,388	7,468
Star-Biscoe Elementary	98,641	102,892	(4,251)	37,815	33,564
Troy Elementary	34,915	36,227	(1,312)	18,525	17,213
Montgomery Early College	22,312	14,250	8,062	-	8,062
Totals	$ 992,684	$ 1,008,857	$ (16,173)	$ 507,113	$ 490,940

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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	$ 427,702	$ 427,702	$ -
Montgomery County:			
County appropriations	1,303,595	1,283,693	(19,902)
Other:			
Interest earned on investments	-	2,472	2,472
Miscellaneous	-	9,194	9,194
Total other	-	11,666	11,666
Total revenues	1,731,297	1,723,061	(8,236)
Expenditures:			
Current:			
System-wide support services:			
Operational support	520,863	520,863	-
Debt service:			
Principal retirement	427,702	427,702	-
Capital outlay	2,909,147	2,465,671	443,476
Total expenditures	3,857,712	3,414,236	443,476
Revenues over (under) expenditures	(2,126,415)	(1,691,175)	435,240
Other financing sources:			
Transfers from other funds	1,085,000	906,101	(178,899)
Installment purchase obligations issued	520,863	520,863	-
Total other financing sources	1,605,863	1,426,964	(178,899)
Fund balance appropriated	520,552	-	(520,552)
Net change in fund balance	$ -	(264,211)	$ (264,211)
Fund balance:			
Beginning of year		542,980	
End of year		$ 278,769	

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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	$ 505,500	$ 458,723	$ (46,777)
Other	2,500	2,981	481
Total operating revenues	508,000	461,704	(46,296)
Operating expenditures:			
Business support services:			
Purchase of food		1,003,916	
Donated commodities		187,886	
Salaries and benefits		1,540,840	
Indirect costs		217,963	
Materials and supplies		91,341	
Repairs and maintenance		14,908	
Contracted services		24,736	
Other		21,753	
Total operating expenditures	3,482,314	3,103,343	378,971
Operating loss	(2,974,314)	(2,641,639)	332,675
Nonoperating revenues:			
Federal reimbursements and grants	2,254,228	2,118,279	(135,949)
Federal commodities	186,000	187,886	1,886
State reimbursements	10,000	11,802	1,802
Indirect costs not paid	95,000	117,771	22,771
Interest earned	100	95	(5)
Total nonoperating revenues	2,545,328	2,435,833	(109,495)
Excess (deficiency) of revenues over expenditures before other financing sources and fund balance appropriated	(428,986)	(205,806)	223,180
Other financing sources:			
Transfers from other funds	88,500	83,782	(4,718)
Fund balance appropriated	340,486	-	(340,486)
Net change in fund balance	$ -	(122,024)	$ (122,024)
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(35,212)	
Net OPEB asset		(25)	
Net pension liability		65,907	
Net OPEB liability		398,639	
Deferred outflows - pension		(35,289)	
Deferred inflows - pension		(613,525)	
Increase in compensated absences payable		(6,710)	
Increase in inventories		14,004	
Change in net position (full accrual)		$ (334,235)	



Statistical Section

STATISTICAL SECTION
(Unaudited)

The Statistical Section of the District's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the District's overall financial outlook.

Sections

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and operations have changed over time.

Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. County information is included.

Debt Capacity

Since the District has no tax-levying or debt-issuing authority, the County of Montgomery provides significant funding to the school system. Selected fiscal data from the County of Montgomery has been included to help the reader better understand the school system and its financial operations.

Revenue Capacity

Since the District's local revenues are primarily provided by Montgomery County, these schedules on the county's revenue sources are relevant to an understanding of Montgomery County's most significant local revenue source, the property tax.


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

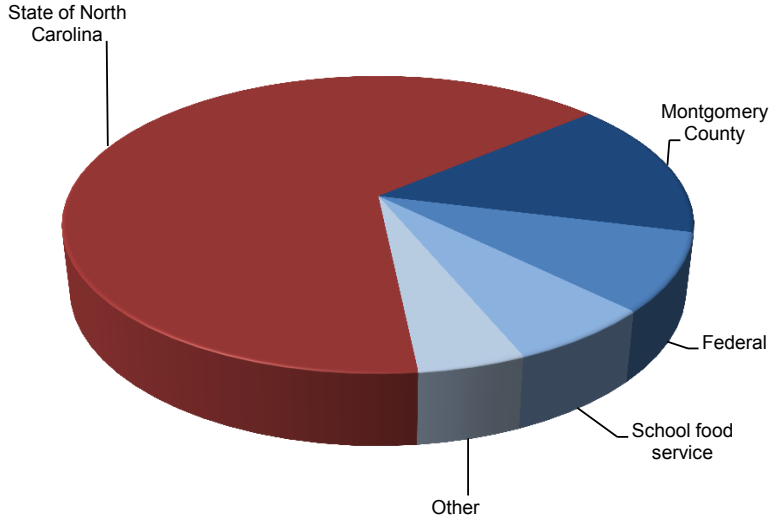
MONTGOMERY COUNTY BOARD OF EDUCATION

Financial Perspective

Governmental and Business-type Activities

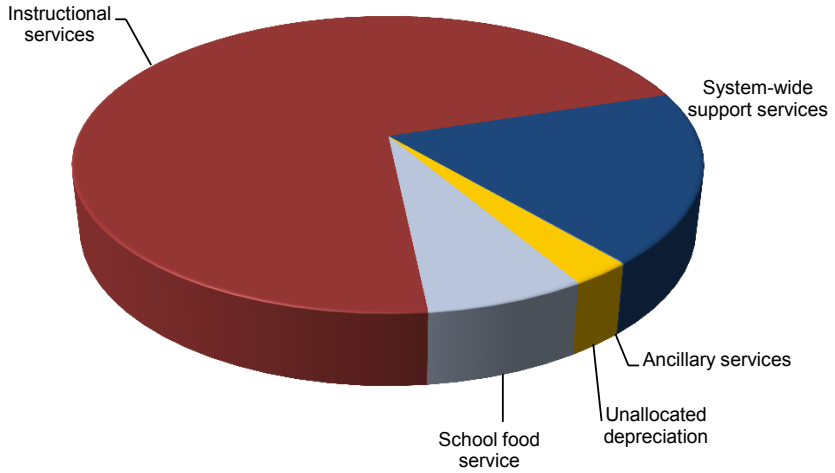
For Year Ended June 30, 2018

Revenue Sources



State of North Carolina	$	28,644,872
Montgomery County		6,567,542
Federal		3,687,977
School food service		2,779,766
Other		2,032,751
Total revenue sources	$	43,712,908

Expenses



Instructional services	$	33,147,107
System-wide support services		8,614,814
Ancillary services		30,600
Unallocated depreciation		1,219,115
School food service		3,197,783
Total expenses	$	46,209,419

MONTGOMERY COUNTY BOARD OF EDUCATION

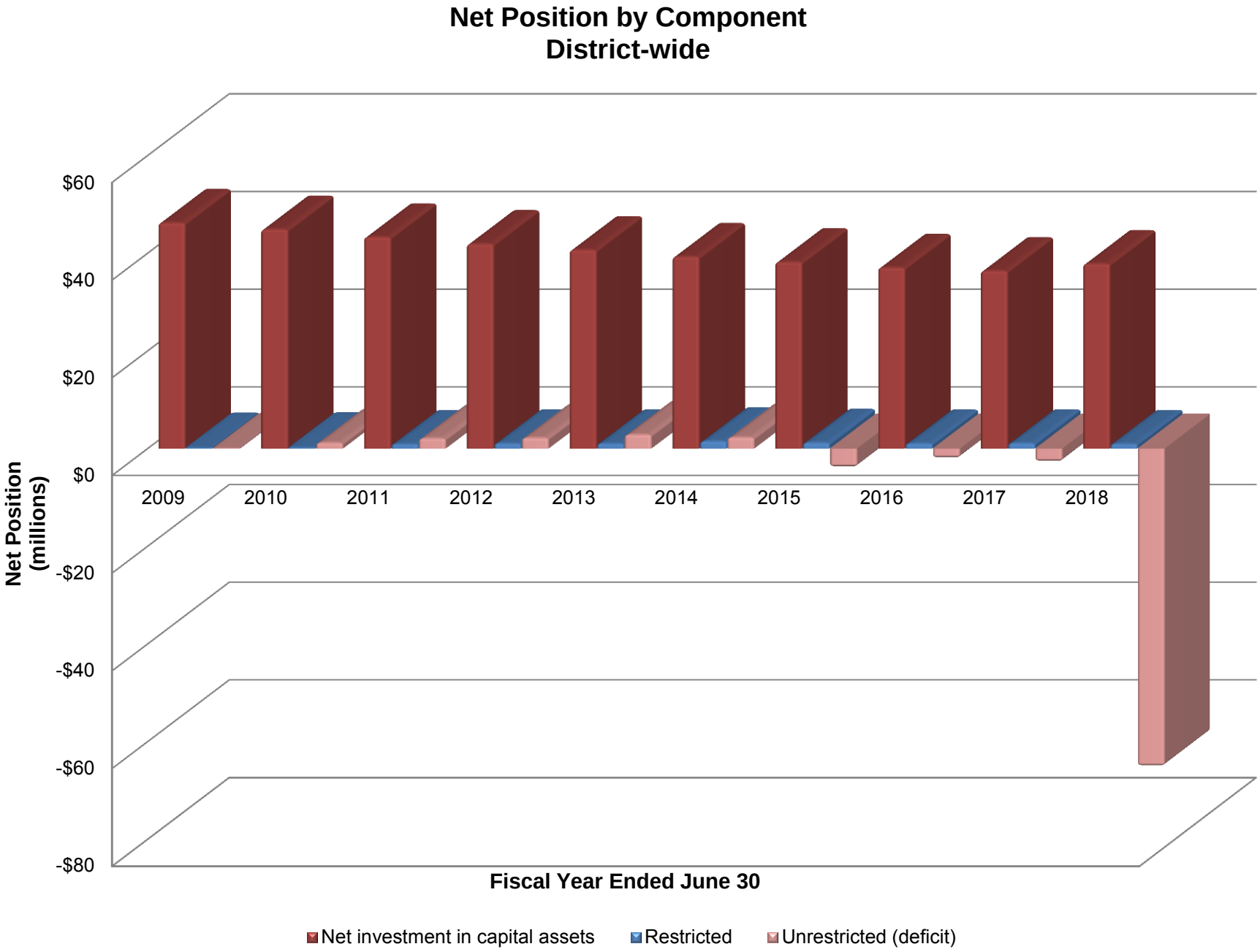
Net Position by Component
Last Ten Fiscal Years

Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	$ 45,827,826	$ 44,521,519	$ 42,993,751	$ 41,653,655	$ 40,482,359	$ 39,130,800	$ 38,073,586	$ 36,932,521	$ 36,317,120	$ 37,788,564
Restricted	321,480	361,759	978,669	1,114,305	1,088,083	1,548,969	1,250,895	1,095,880	1,168,412	1,014,022
Unrestricted (deficit)	92,647	1,032,646	1,764,084	1,725,117	2,280,196	1,570,076	(4,543,390)	(2,721,067)	(3,423,455)	(63,350,793)
	$ 46,241,953	$ 45,915,924	$ 45,736,504	$ 44,493,077	$ 43,850,638	$ 42,249,845	$ 34,781,091	$ 35,307,334	$ 34,062,077	$ (24,548,207)
Business-type activities:										
Invested in capital assets	$ 445,417	$ 420,707	$ 357,661	$ 297,023	$ 252,891	$ 210,990	$ 174,611	$ 165,583	$ 134,991	$ 99,779
Restricted	-	-	-	-	-	-	-	-	-	6,199
Unrestricted (deficit)	109,589	218,370	401,947	547,833	643,456	784,214	684,896	719,904	700,778	(1,727,402)
	$ 555,006	$ 639,077	$ 759,608	$ 844,856	$ 896,347	$ 995,204	$ 859,507	$ 885,487	$ 835,769	$ (1,621,424)
District-wide:										
Net investment in capital assets	$ 46,273,243	$ 44,942,226	$ 43,351,412	$ 41,950,678	$ 40,735,250	$ 39,341,790	$ 38,248,197	$ 37,098,104	$ 36,452,111	$ 37,888,343
Restricted	321,480	361,759	978,669	1,114,305	1,088,083	1,548,969	1,250,895	1,095,880	1,168,412	1,020,221
Unrestricted (deficit)	202,236	1,251,016	2,166,031	2,272,950	2,923,652	2,354,290	(3,858,494)	(2,001,163)	(2,722,677)	(65,078,195)
	$ 46,796,959	$ 46,555,001	$ 46,496,112	$ 45,337,933	$ 44,746,985	$ 43,245,049	$ 35,640,598	$ 36,192,821	$ 34,897,846	$ (26,169,631)

Source: Montgomery County Board of Education, North Carolina, Annual Financial Reports.

Note: Net position for 2014 and before are not comparable to 2015 (and after) net position due to the implementation of GASB 68 for the year ended June 30, 2015. The standard requires the Board to record its proportionate share of the net pension liability associated with its participation in the statewide Teachers' and State Employees' Retirement System (TSERS).

Note: Net position for 2017 and before are not comparable to 2018 (and after) net position due to the implementation of GASB 75 for the year ended June 30, 2018. The standard requires the Board to record its proportionate share of the net OPEB liability and net OPEB Asset associated with its participation in the statewide Teachers' and State Employees' Retirement System (TSERS).


Net Position by Component
District-wide
$60
$40
$20
$0
-$20
-$40
-$60
-$80
Net Position (millions)
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Fiscal Year Ended June 30
Net investment in capital assets
Restricted
Unrestricted (deficit)

MONTGOMERY COUNTY BOARD OF EDUCATION

Changes in Net Position
Last Ten Fiscal Years

Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
Instructional services	$ 33,171,623	$ 32,241,425	$ 29,734,216	$ 29,389,524	$ 29,375,963	$ 29,426,851	$ 29,283,560	$ 28,785,650	$ 31,454,012	$ 33,147,107
System-wide support services	7,842,754	7,654,533	6,723,474	6,782,926	7,433,360	7,607,257	9,260,014	8,419,380	8,677,782	8,614,814
Ancillary services	23	69,603	3,626	-	7,748	2,870	3,635	4,445	38,651	30,600
Payments to other governments	14,353	-	-	-	-	-	-	-	-	-
Interest on long-term debt	5,525	2,954	1,148	-	-	-	-	-	-	-
Unallocated depreciation expense	1,255,578	1,371,938	1,373,631	1,243,575	1,242,733	1,277,587	1,223,201	1,225,975	1,220,021	1,219,115
Total governmental activities expenses	42,289,856	41,340,453	37,836,095	37,416,025	38,059,804	38,314,565	39,770,410	38,435,450	41,390,466	43,011,636
Business-type activities:										
School food service	3,142,514	2,767,689	2,777,750	2,921,171	2,919,924	2,864,248	2,779,102	2,943,595	3,070,911	3,197,783
Total district-wide expenses	$ 45,432,370	$ 44,108,142	$ 40,613,845	$ 40,337,196	$ 40,979,728	$ 41,178,813	$ 42,549,512	$ 41,379,045	$ 44,461,377	$ 46,209,419
Program Revenues										
Governmental activities:										
Charges for services:										
Co-curricular services	$ 891,050	$ 1,057,212	$ 1,049,086	$ 1,089,641	$ 1,030,069	$ 1,195,171	$ 998,930	$ 1,086,741	$ 1,132,352	$ 992,684
Other	-	-	-	15,025	16,579	18,344	7,501	7,500	5,344	9,375
Operating grants and contributions	31,544,450	32,160,088	29,433,994	28,694,384	27,933,014	28,273,834	31,863,423	30,794,571	31,334,553	31,332,828
Capital grants and contributions	16,038,728	194,711	-	-	165,428	82,714	82,714	186,183	297,486	427,702
Total governmental activities program revenues	48,474,228	33,412,011	30,483,080	29,799,050	29,145,090	29,570,063	32,952,568	32,074,995	32,769,735	32,762,589
Business-type activities:										
Charges for services:										
Student meal services	846,616	711,791	640,632	621,453	603,287	579,848	573,499	498,798	496,413	461,704
Operating grants and contributions	2,040,734	1,952,400	2,175,623	2,290,673	2,285,063	2,298,081	2,268,502	2,384,496	2,436,409	2,317,967
Capital grants and contributions	223,468	42,513	-	-	-	-	-	-	-	-
Total business-type activities program revenues	3,110,818	2,706,704	2,816,255	2,912,126	2,888,350	2,877,929	2,842,001	2,883,294	2,932,822	2,779,671
Total district-wide program revenues	$ 51,585,046	$ 36,118,715	$ 33,299,335	$ 32,711,176	$ 32,033,440	$ 32,447,992	$ 35,794,569	$ 34,958,289	$ 35,702,557	$ 35,542,260
Net (Expense) Revenue										
Governmental activities	$ 6,184,372	$ (7,928,442)	$ (7,353,015)	$ (7,616,975)	$ (8,914,714)	$ (8,744,502)	$ (6,817,842)	$ (6,360,455)	$ (8,620,731)	$ (10,249,047)
Business-type activities	(31,696)	(60,985)	38,505	(9,045)	(31,574)	13,681	62,899	(60,301)	(138,089)	(418,112)
Total district-wide net (expense) revenue	$ 6,152,676	$ (7,989,427)	$ (7,314,510)	$ (7,626,020)	$ (8,946,288)	$ (8,730,821)	$ (6,754,943)	$ (6,420,756)	$ (8,758,820)	$ (10,667,159)

MONTGOMERY COUNTY BOARD OF EDUCATION
Changes in Net Position (continued)
Last Ten Fiscal Years

Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted county appropriations - operating	$ 6,322,066	$ 5,627,501	$ 5,000,606	$ 4,803,174	$ 5,953,731	$ 5,072,365	$ 5,046,769	$ 5,145,804	$ 5,344,283	$ 5,283,849
Unrestricted county appropriations - capital	505,417	-	-	-	-	-	167,813	-	388,692	1,283,693
Unrestricted State appropriations - operating	1,298,696	1,301,732	1,462,043	1,374,852	1,855,381	1,593,835	1,257,331	1,267,043	1,092,628	927,331
Unrestricted State appropriations - capital	-	189,352	180,598	-	-	-	-	-	-	-
Investment earnings, unrestricted	29,437	32,270	26,148	18,683	12,052	16,360	18,989	28,330	39,429	46,852
Miscellaneous, unrestricted	772,071	596,325	585,918	260,204	533,280	545,680	589,090	531,705	598,715	628,828
Transfers	(177,819)	(144,767)	(81,718)	(83,365)	(82,169)	(84,531)	(86,015)	(86,184)	(88,273)	(83,782)
Total governmental activities	8,749,868	7,602,413	7,173,595	6,373,548	8,272,275	7,143,709	6,993,977	6,886,698	7,375,474	8,086,771
Business-type activities:										
Investment earnings, unrestricted	508	289	308	318	194	117	92	97	98	95
Miscellaneous, unrestricted	-	-	-	10,610	702	528	-	-	-	-
Transfers	177,819	144,767	81,718	83,365	82,169	84,531	86,015	86,184	88,273	83,782
Total business-type activities	178,327	145,056	82,026	94,293	83,065	85,176	86,107	86,281	88,371	83,877
Total district-wide	$ 8,928,195	$ 7,747,469	$ 7,255,621	$ 6,467,841	$ 8,355,340	$ 7,228,885	$ 7,080,084	$ 6,972,979	$ 7,463,845	$ 8,170,648
Change in Net Position										
Governmental activities	$ 14,934,240	$ (326,029)	$ (179,420)	$ (1,243,427)	$ (642,439)	$ (1,600,793)	$ 176,135	$ 526,243	$ (1,245,257)	$ (2,162,276)
Business-type activities	146,631	84,071	120,531	85,248	51,491	98,857	149,006	25,980	(49,718)	(334,235)
Total district-wide change in net position	$ 15,080,871	$ (241,958)	$ (58,889)	$ (1,158,179)	$ (590,948)	$ (1,501,936)	$ 325,141	$ 552,223	$ (1,294,975)	$ (2,496,511)

Source: Montgomery County Board of Education, North Carolina, Annual Financial Reports.

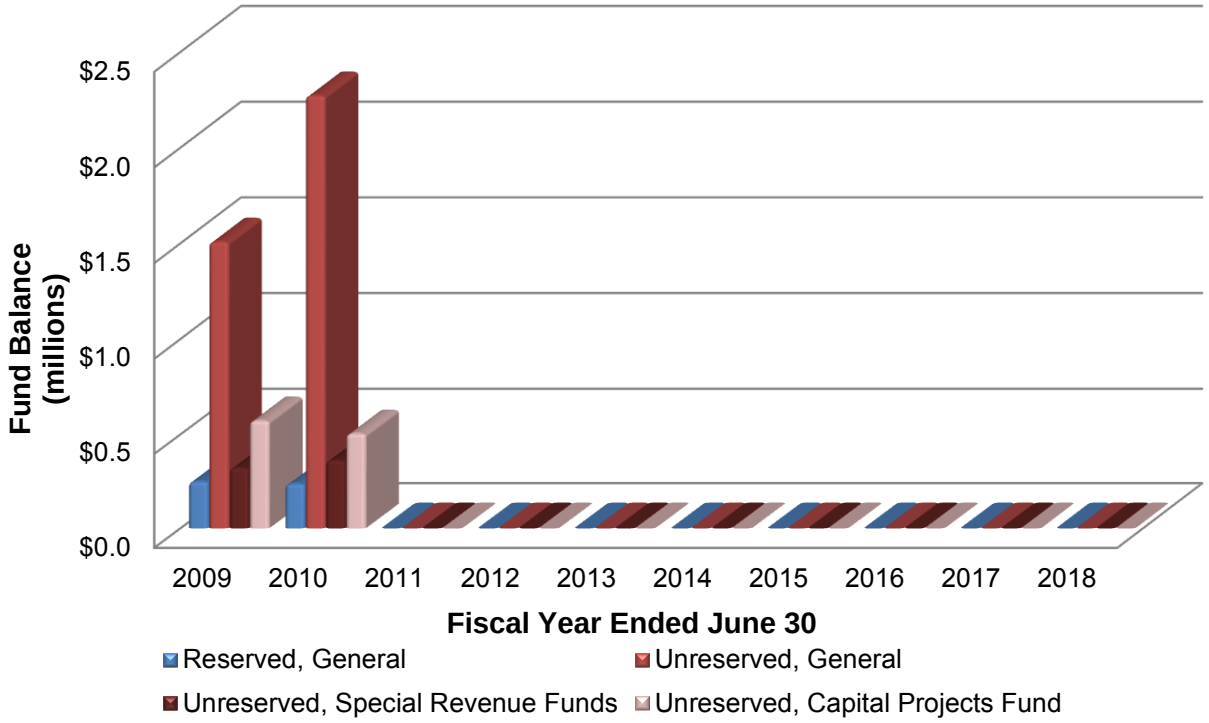
MONTGOMERY COUNTY BOARD OF EDUCATION
Governmental Funds
Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	$ 249,430	$ 236,600	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	1,507,673	2,271,411	-	-	-	-	-	-	-	-
Nonspendable	-	-	201,210	242,094	169,839	127,376	102,601	102,863	141,367	154,955
Restricted	-	-	71,865	180,626	46,345	416,041	112,147	29,535	31,313	28,503
Assigned	-	-	3,714,507	3,293,241	922,013	868,301	-	879,878	879,000	882,382
Unassigned	-	-	-	-	3,080,841	2,358,696	3,444,439	2,612,814	2,554,862	1,718,599
Total General Fund	$ 1,757,103	$ 2,508,011	$ 3,987,582	$ 3,715,961	$ 4,219,038	$ 3,770,414	$ 3,659,187	$ 3,625,090	$ 3,606,542	$ 2,784,439
All other governmental funds:										
Unreserved, reported in:										
Special Revenue Funds	$ 321,480	$ 361,759	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capital Projects Fund	573,271	504,665	-	-	-	-	-	-	-	-
Restricted	-	-	906,804	933,679	1,041,738	1,132,928	1,138,748	1,066,345	1,137,099	827,900
Assigned, reported in:										
Other Special Revenue Fund	-	-	-	431,919	592,299	786,411	817,165	1,044,542	1,033,759	520,797
Total all other governmental funds	$ 894,751	$ 866,424	$ 906,804	$ 1,365,598	$ 1,634,037	$ 1,919,339	$ 1,955,913	$ 2,110,887	$ 2,170,858	$ 1,348,697

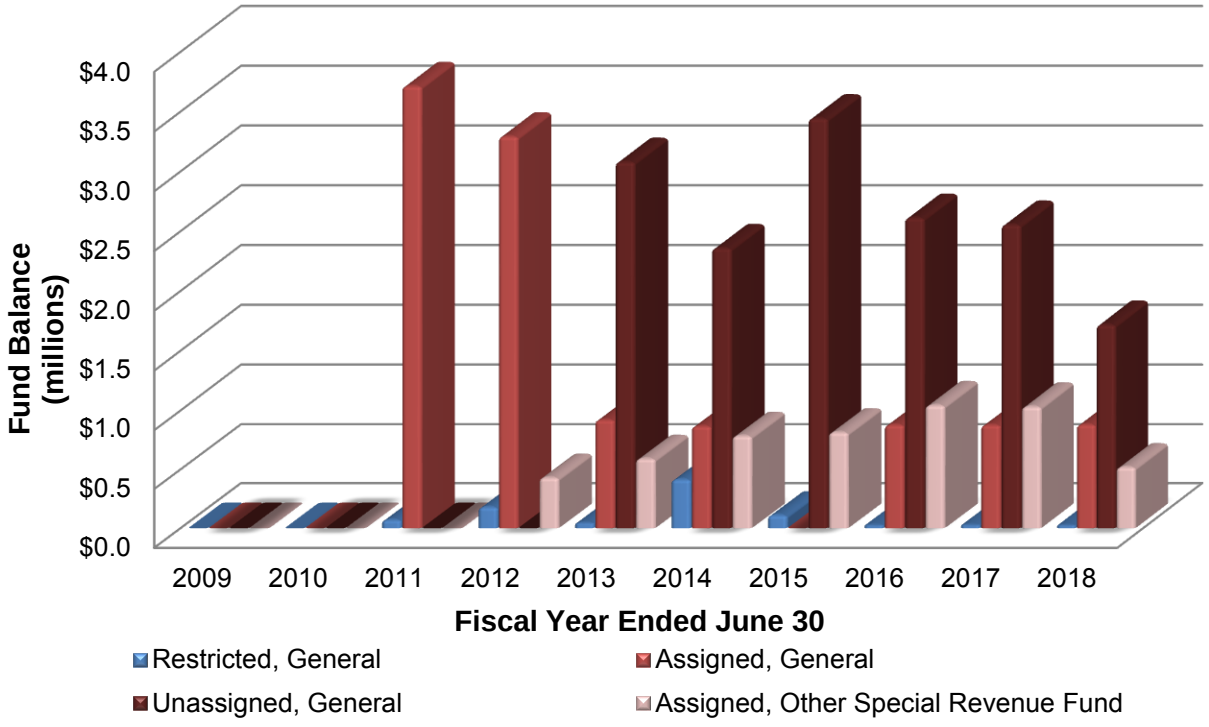
Source: Montgomery County Board of Education, North Carolina, Annual Financial Reports.

Note: Fund balances for 2010 and before are not comparable to 2011 (and after) fund balances due to the implementation of GASB 54 for the year ended June 30, 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

Governmental Funds
Fund Balances - Before GASB 54 Implementation



Governmental Funds
Fund Balances - After GASB 54 Implementation



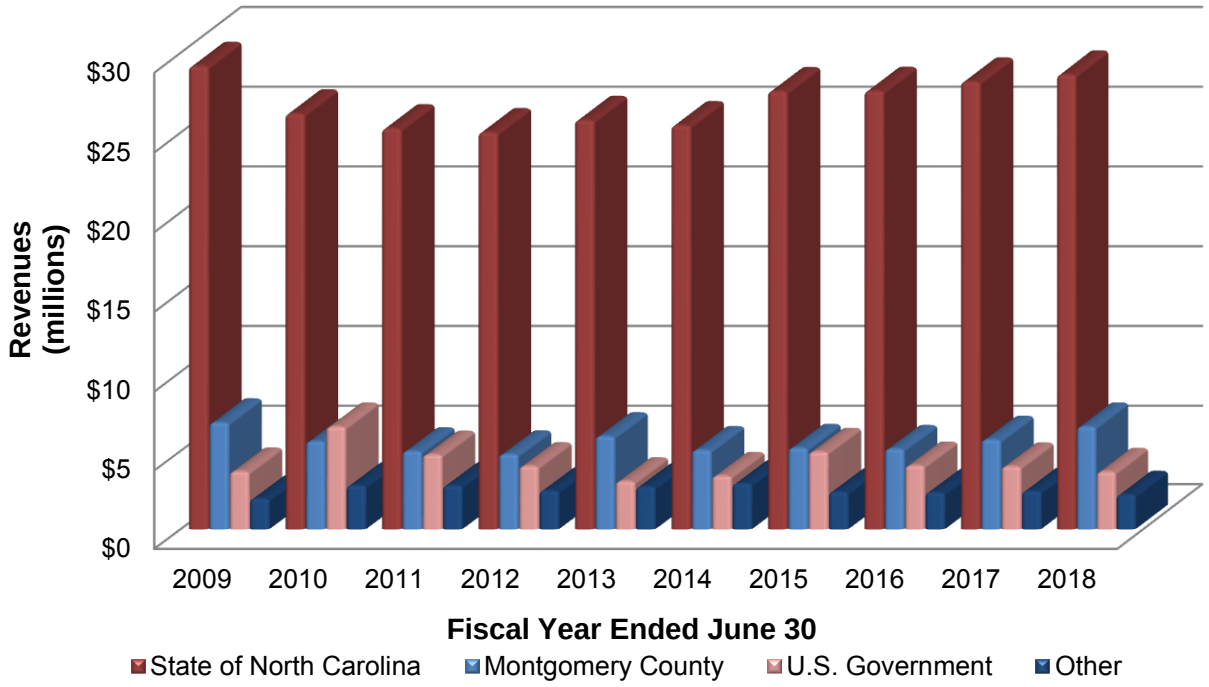
MONTGOMERY COUNTY BOARD OF EDUCATION
Governmental Funds
Changes in Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2009	2010	2011	2012	2013
Revenues					
State of North Carolina	$ 29,182,163	$ 26,205,691	$ 25,267,759	$ 25,028,311	$ 25,793,077
Montgomery County	6,827,483	5,627,501	5,000,606	4,803,174	5,953,731
U.S. Government	3,708,444	6,566,412	4,780,559	4,046,162	3,081,531
Other	1,966,686	2,809,563	2,809,688	2,475,096	2,726,986
Total revenues	41,684,776	41,209,167	37,858,612	36,352,743	37,555,325
Expenditures					
Instructional services	33,261,224	32,451,417	29,592,973	29,315,871	29,181,309
System-wide support services	7,035,919	7,372,145	6,361,283	6,706,894	7,196,406
Ancillary services	23	69,603	3,626	-	7,748
Non-programmed charges	87,214	244,687	119,471	96,574	55,286
Debt service	196,922	41,812	20,247	-	165,428
Capital outlay	771,461	235,287	157,350	3,750	354,062
Total expenditures	41,352,763	40,414,951	36,254,950	36,123,089	36,960,239
Revenues over (under) expenditures	332,013	794,216	1,603,662	229,654	595,086
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	(177,819)	(144,767)	(81,718)	(83,365)	(82,169)
Installment purchase obligations	-	-	-	-	330,854
Total other financing sources (uses)	(177,819)	(144,767)	(81,718)	(83,365)	248,685
Net change in fund balances	$ 154,194	$ 649,449	$ 1,521,944	$ 146,289	$ 843,771
Ratio of debt service expenditures to total non-capital expenditures	0.49%	0.10%	0.06%	-	0.45%

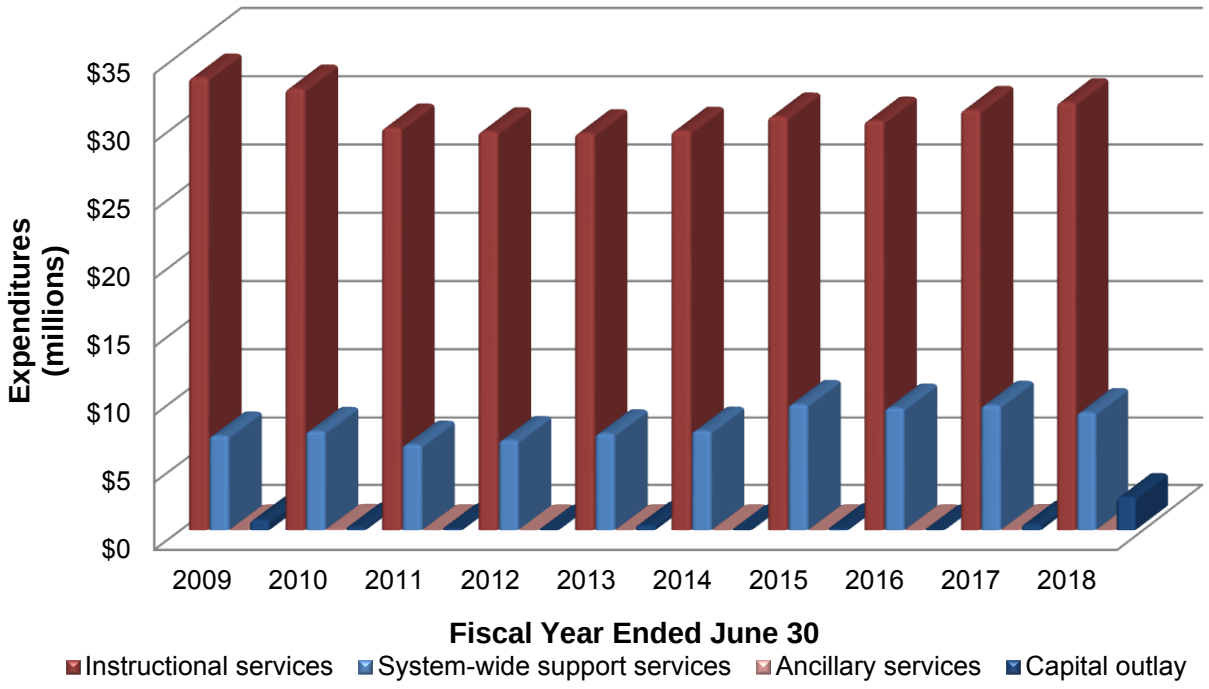
Year Ended June 30	2014	2015	2016	2017	2018
Revenues					
State of North Carolina	$ 25,464,671	$ 27,603,279	$ 27,617,355	$ 28,206,363	$ 28,644,872
Montgomery County	5,072,365	5,214,582	5,145,804	5,732,975	6,567,542
U.S. Government	3,424,465	4,960,122	4,082,428	4,030,054	3,687,977
Other	2,930,835	2,408,934	2,372,299	2,442,218	2,218,166
Total revenues	36,892,336	40,186,917	39,217,886	40,411,610	41,118,557
Expenditures					
Instructional services	29,358,226	30,398,622	30,097,681	30,887,570	31,450,728
System-wide support services	7,394,497	9,348,842	9,083,077	9,283,995	8,753,566
Ancillary services	2,870	3,635	4,445	38,651	30,600
Non-programmed charges	90,357	149,156	119,808	75,930	85,223
Debt service	82,714	82,712	186,183	297,486	427,702
Capital outlay	-	167,813	18,409	428,215	2,465,671
Total expenditures	36,928,664	40,150,780	39,509,603	41,011,847	43,213,490
Revenues over (under) expenditures	(36,328)	36,137	(291,717)	(600,237)	(2,094,933)
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	906,101
Transfers to other funds	(84,531)	(86,015)	(86,184)	(88,273)	(989,883)
Installment purchase obligations	-	-	498,516	691,429	520,863
Total other financing sources (uses)	(84,531)	(86,015)	412,332	603,156	437,081
Net change in fund balances	$ (120,859)	$ (49,878)	$ 120,615	$ 2,919	$ (1,657,852)
Ratio of debt service expenditures to total non-capital expenditures	0.22%	0.21%	0.47%	0.74%	1.06%

Source: Montgomery County Board of Education, North Carolina, Annual Financial Reports.

Governmental Funds
Revenues by Source



Governmental Funds
Expenditures by Function



MONTGOMERY COUNTY BOARD OF EDUCATION

Operational Expenditures Per Pupil
Expenditures by Function
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2009	2010	2011	2012	2013
Average Daily Membership	4,330	4,221	4,104	4,137	4,131
Instructional	$ 7,682	$ 7,688	$ 7,211	$ 7,086	$ 7,064
System-wide support	1,625	1,747	1,550	1,621	1,742
Ancillary	-	16	1	-	2
Total expenditures per pupil	$ 9,307	$ 9,451	$ 8,762	$ 8,707	$ 8,808

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2014	2015	2016	2017	2018
Average Daily Membership	4,115	4,008	3,950	3,857	3,878
Instructional	$ 7,134	$ 7,584	$ 7,620	$ 8,008	$ 8,110
System-wide support	1,797	2,333	2,300	2,407	2,257
Ancillary	1	1	1	10	8
Total expenditures per pupil	$ 8,932	$ 9,918	$ 9,921	$ 10,425	$ 10,375

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2009	2010	2011	2012	2013
Instructional	$ 3,562	$ 3,527	$ 3,195	$ 3,088	$ 3,025
System-wide support	753	802	687	706	746
Ancillary	-	7	-	-	1
Total expenditures per pupil	$ 4,315	$ 4,336	$ 3,882	$ 3,794	$ 3,772

EXPRESSED IN CONSTANT DOLLARS

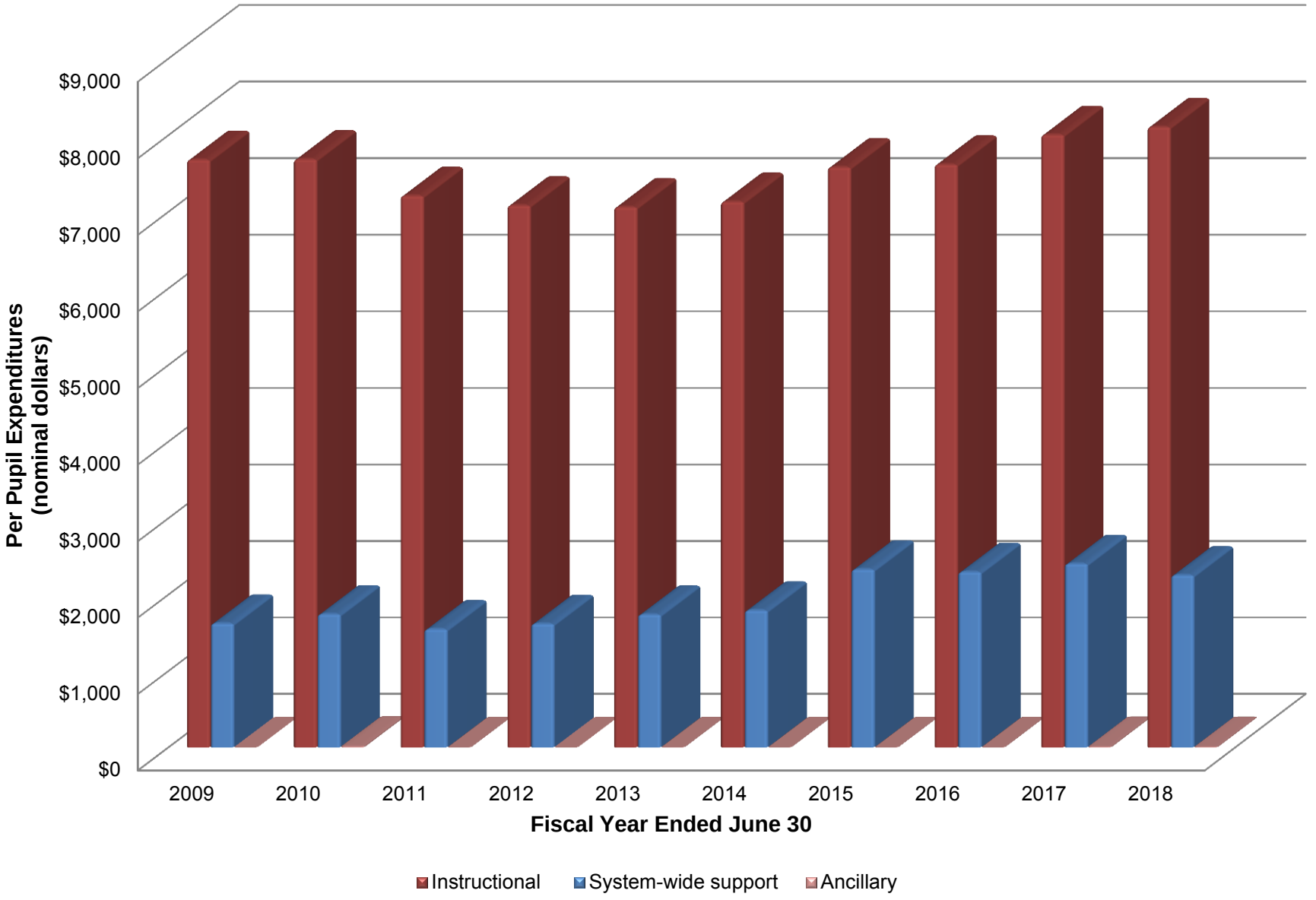
Year Ended June 30	2014	2015	2016	2017	2018
Instructional	$ 2,993	$ 3,178	$ 3,161	$ 3,269	$ 3,218
System-wide support	754	978	954	983	896
Ancillary	-	-	-	4	3
Total expenditures per pupil	$ 3,747	$ 4,156	$ 4,115	$ 4,256	$ 4,117

Source: Montgomery County Board of Education, North Carolina, Annual Financial Reports.

Note: The above operational expenditures per pupil include all governmental funds.

Note: Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

Operational Expenditures Per Pupil
Expenditures by Function



MONTGOMERY COUNTY BOARD OF EDUCATION

Proprietary Fund - Food Services Operations
Revenues by Source
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2009	2010	2011	2012	2013
Food sales	$ 846,616	$ 711,791	$ 640,632	$ 621,453	$ 603,287
Federal reimbursements	1,696,610	1,811,069	1,990,796	2,138,828	2,132,682
Federal commodities	135,743	135,775	175,301	141,435	141,056
Other	208,889	255,760	244,621	251,017	212,479
Total revenues	$ 2,887,858	$ 2,914,395	$ 3,051,350	$ 3,152,733	$ 3,089,504

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2014	2015	2016	2017	2018
Food sales	$ 579,848	$ 571,488	$ 494,412	$ 493,073	$ 458,723
Federal reimbursements	2,132,265	2,095,871	2,195,007	2,245,852	2,118,279
Federal commodities	156,187	163,167	180,183	180,798	187,886
Other	225,257	245,798	197,680	111,816	132,649
Total revenues	$ 3,093,557	$ 3,076,324	$ 3,067,282	$ 3,031,539	$ 2,897,537

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2009	2010	2011	2012	2013
Food sales	$ 392,510	$ 326,562	$ 283,815	$ 270,812	$ 258,363
Federal reimbursements	786,586	830,899	881,968	932,041	913,339
Federal commodities	62,933	62,292	77,662	61,633	60,408
Other	96,846	117,340	108,373	109,386	90,996
Total revenues	$ 1,338,875	$ 1,337,093	$ 1,351,818	$ 1,373,872	$ 1,323,106

EXPRESSED IN CONSTANT DOLLARS

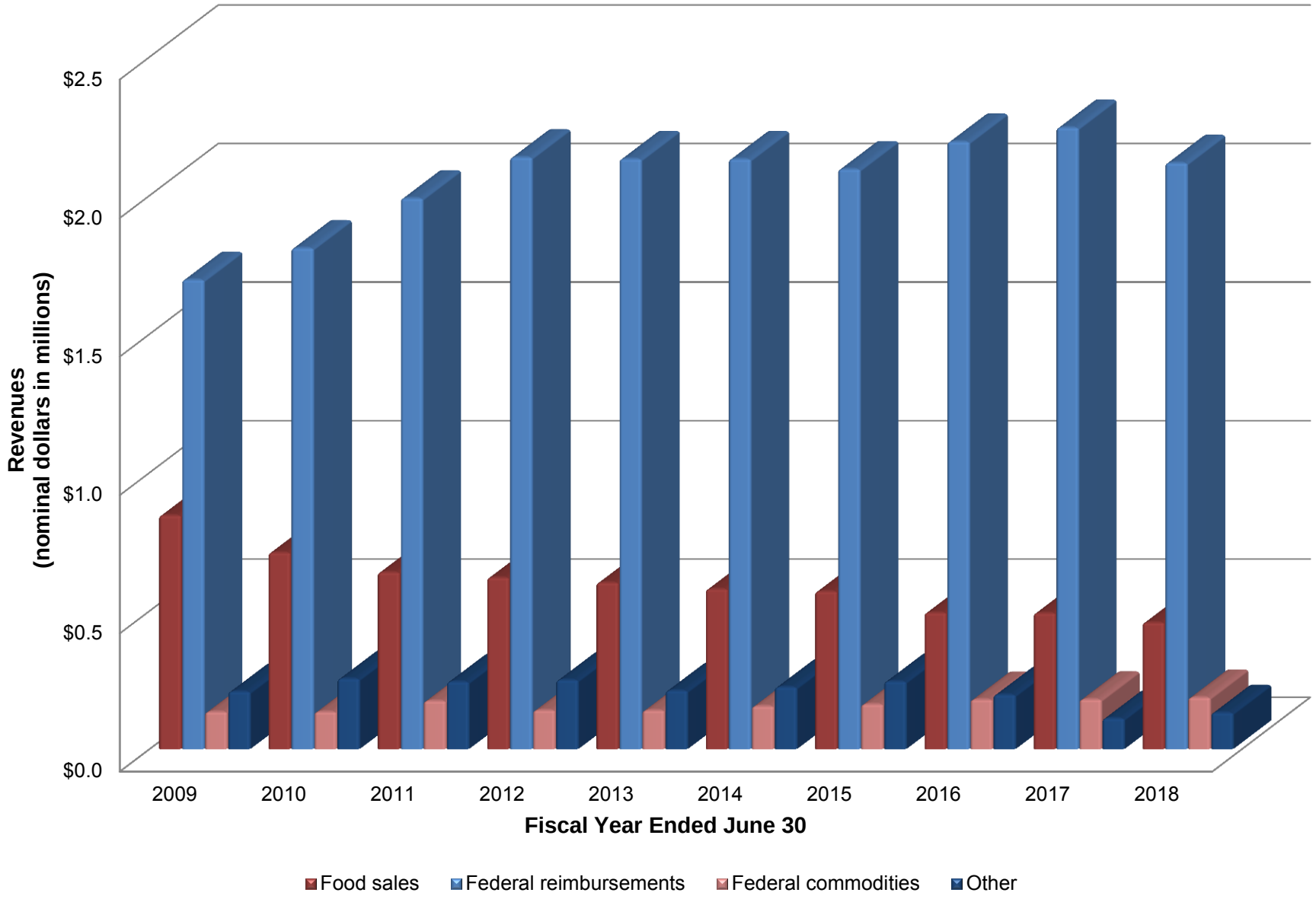
Year Ended June 30	2014	2015	2016	2017	2018
Food sales	$ 243,283	$ 239,479	$ 205,118	$ 201,291	$ 182,041
Federal reimbursements	894,620	878,264	910,648	916,843	840,624
Federal commodities	65,530	68,374	74,753	73,809	74,561
Other	94,510	103,000	82,012	45,648	52,641
Total revenues	$ 1,297,943	$ 1,289,117	$ 1,272,531	$ 1,237,591	$ 1,149,867

Source: Montgomery County Board of Education, North Carolina, Annual Financial Reports.

Note: Other revenue includes interest earned, State reimbursements, indirect costs not paid, and other revenues.

Note: Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984 = 100).

Proprietary Fund - Food Service Operations
Revenues by Source



MONTGOMERY COUNTY BOARD OF EDUCATION

Proprietary Fund - Food Services Operations
Expenses by Category
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2009	2010	2011	2012	2013
Purchase of food	$ 890,076	$ 842,075	$ 914,506	$ 1,110,686	$ 1,105,871
Donated commodities	135,743	135,775	175,301	141,435	141,056
Salaries and benefits	1,726,444	1,585,533	1,466,704	1,436,553	1,459,415
Other	390,251	454,221	456,026	462,176	413,840
Total expenses	$ 3,142,514	$ 3,017,604	$ 3,012,537	$ 3,150,850	$ 3,120,182

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2014	2015	2016	2017	2018
Purchase of food	$ 1,047,932	$ 1,067,629	$ 1,090,008	$ 1,084,781	$ 989,912
Donated commodities	156,187	163,167	180,183	180,798	187,886
Salaries and benefits	1,449,578	1,346,093	1,383,172	1,496,598	1,731,843
Other	425,534	436,444	474,123	407,353	405,913
Total expenses	$ 3,079,231	$ 3,013,333	$ 3,127,486	$ 3,169,530	$ 3,315,554

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2009	2010	2011	2012	2013
Purchase of food	$ 412,659	$ 386,335	$ 405,147	$ 484,005	$ 473,598
Donated commodities	62,933	62,292	77,662	61,633	60,408
Salaries and benefits	800,417	727,426	649,783	626,009	625,006
Other	180,929	208,392	202,030	201,403	177,230
Total expenses	$ 1,456,938	$ 1,384,445	$ 1,334,622	$ 1,373,050	$ 1,336,242

EXPRESSED IN CONSTANT DOLLARS

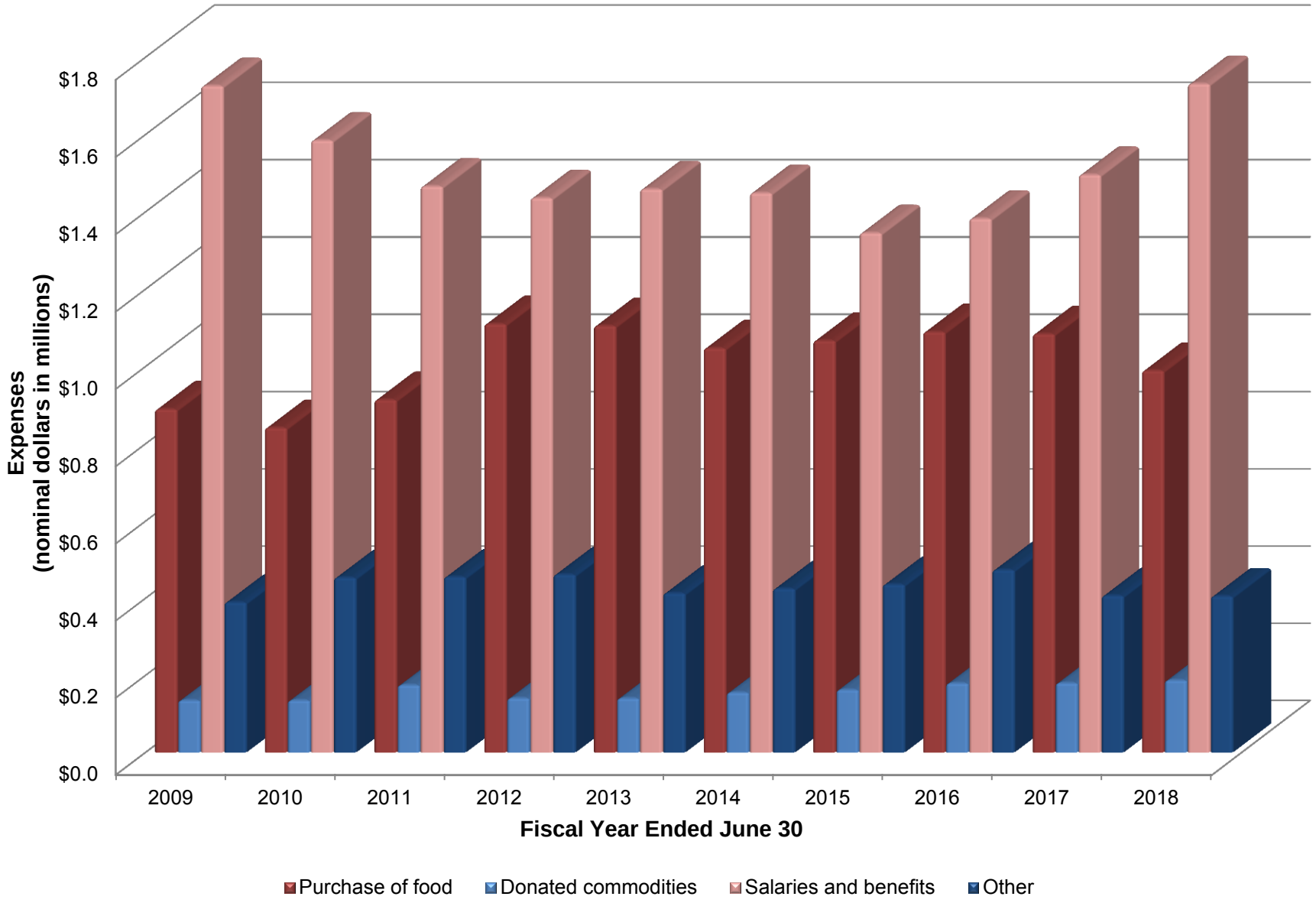
Year Ended June 30	2014	2015	2016	2017	2018
Purchase of food	$ 439,674	$ 447,384	$ 452,214	$ 442,849	$ 392,839
Donated commodities	65,530	68,374	74,753	73,809	74,561
Salaries and benefits	608,190	564,073	573,840	610,969	687,269
Other	178,538	182,890	196,701	166,297	161,084
Total expenses	$ 1,291,932	$ 1,262,721	$ 1,297,508	$ 1,293,924	$ 1,315,753

Source: Montgomery County Board of Education, North Carolina, Annual Financial Reports.

Note: Other expense includes indirect costs, materials and supplies, repairs and maintenance, depreciation, and other expenses.

Note: Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984 = 100).

Proprietary Fund - Food Services Operations
Expenses by Category



MONTGOMERY COUNTY BOARD OF EDUCATION
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended June 30	Installment Purchases	Total Primary Government	Percentage of Personal Income	Per Capita
2018	$ 799,437	$ 799,437	N/A	N/A
2017	706,276	706,276	N/A	$ 26
2016	312,333	312,333	0.034%	11
2015	-	-	-	-
2014	82,712	82,712	0.009%	3
2013	165,426	165,426	0.019%	6
2012	-	-	-	-
2011	-	-	-	-
2010	19,099	19,099	0.003%	1
2009	57,957	57,957	0.008%	2

N/A = Not available

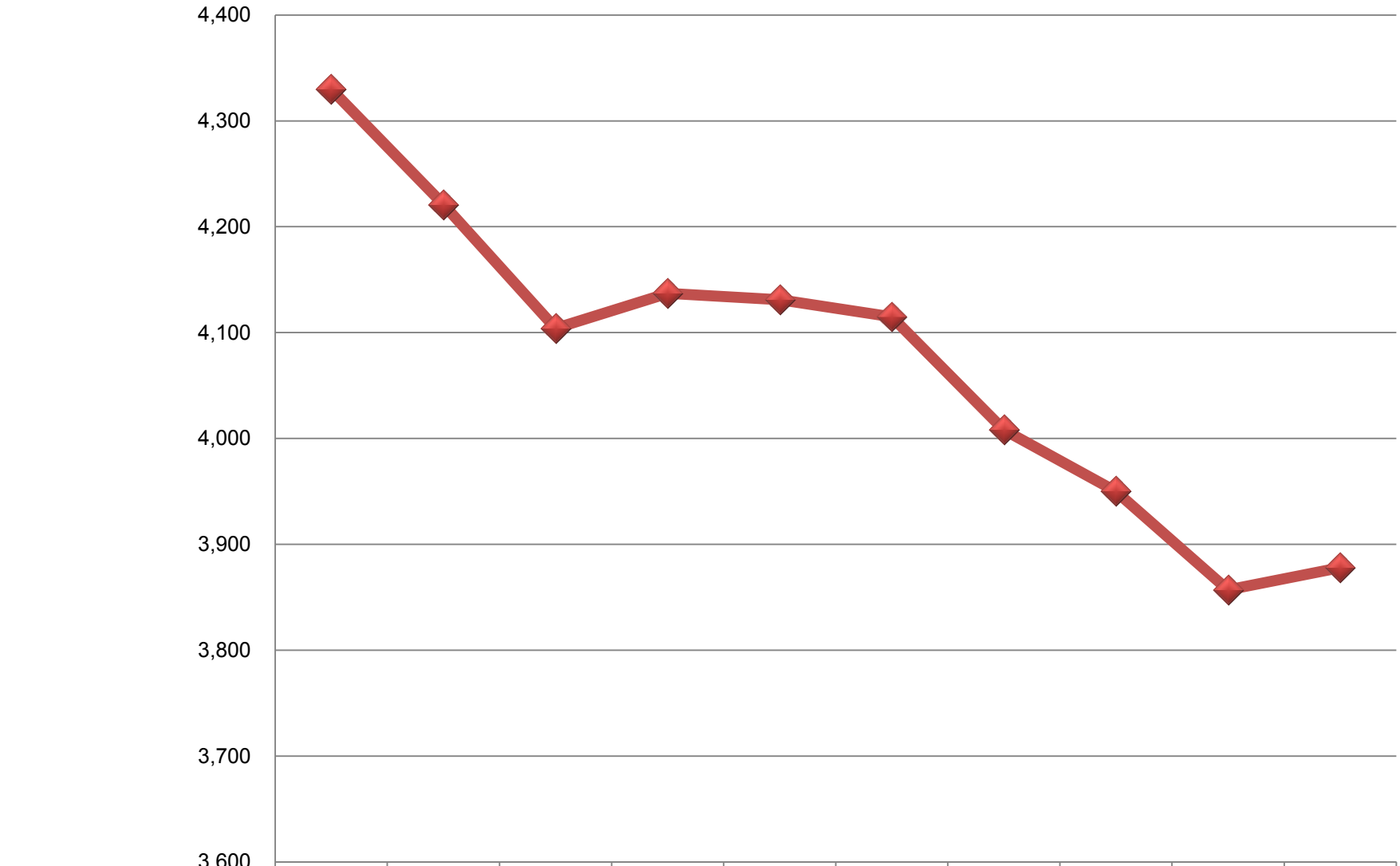
Source: Montgomery County Board of Education, North Carolina, Annual Financial Reports.

Note: Montgomery County School System cannot incur debt without obtaining prior approval from the Board.

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2018 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2019, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2017 and June 30, 2018 income based information will be shown above as "N/A", and the June 30, 2017 information will be reported for the year ended June 30, 2019, if applicable.

MONTGOMERY COUNTY BOARD OF EDUCATION
Average Daily Membership
Last Ten Fiscal Years



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Avg Daily Membership	4,330	4,221	4,104	4,137	4,131	4,115	4,008	3,950	3,857	3,878

MONTGOMERY COUNTY BOARD OF EDUCATION

Student Statistics

Last Ten Fiscal Years

Year Ended June 30	Teaching Staff	Students	Teacher/ Pupil Ratio	Student Attendance Percentage[1]	Percentage of Students Receiving Free/Reduced Lunch[2]
2018	270	3,878	1/14	94.69%	73.96%
2017	251	3,857	1/15	94.87%	79.15%
2016	274	3,950	1/14	95.47%	75.36%
2015	278	4,008	1/15	95.68%	74.13%
2014	269	4,115	1/15	96.01%	75.00%
2013	287	4,131	1/14	95.18%	74.00%
2012	296	4,137	1/14	95.55%	74.00%
2011	314	4,104	1/13	94.64%	74.00%
2010	320	4,221	1/13	94.93%	73.20%
2009	338	4,330	1/13	94.97%	68.90%

MONTGOMERY COUNTY BOARD OF EDUCATION
Student Statistics (continued)
Last Ten Fiscal Years

Year Ended June 30	Ethnic Distribution Percentage[3]					Graduates[3]	Percentage of Graduates Continuing Education[3]
	White	Black	Asian	Hispanic	Other		
2018	41%	19%	2%	34%	4%	N/A	N/A
2017	41%	20%	2%	34%	3%	315	76%
2016	42%	20%	2%	33%	3%	290	70%
2015	43%	20%	2%	32%	3%	262	76%
2014	44%	20%	2%	32%	2%	285	73%
2013	45%	20%	2%	31%	2%	270	75%
2012	46%	20%	2%	30%	2%	287	70%
2011	46%	22%	2%	29%	1%	245	67%
2010	45%	22%	2%	28%	3%	234	64%
2009	47%	25%	2%	26%	-	254	69%

N/A = Not Available

Sources:

(1) NC Department of Public Instruction Average Daily Attendance(ADA):Average Daily Membership(ADM) Ratio Reports

(2) NC Department of Public Instruction Free & Reduced Meals Application Data Reports. Information for 2018 obtained from Montgomery County Board of Education Student Data.

(3) North Carolina Public Schools Statistical Profile (2009-2018 Editions).

Note: This table is a ten year schedule. However, the graduate data for the year ended June 30, 2018 could not be obtained from the North Carolina Department of Public Instruction prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

MONTGOMERY COUNTY BOARD OF EDUCATION

Full-time Equivalent Governmental Employees by Function/Program

Last Ten Fiscal Years

Year Ended June 30	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Officials, admins, mgrs	10	9	9	9	9	9	9	9	7	12
Principals	10	10	11	11	11	11	11	11	13	12
Asst. Principals, non-teaching	6	6	5	4	4	5	6	6	5	7
Total administrators	26	25	25	24	24	25	26	26	25	31
Elementary teachers	236	226	220	203	132	184	190	186	144	137
Secondary teachers	102	94	94	93	155	85	88	88	74	74
Other teachers	-	-	-	-	-	-	-	-	33	59
Total teachers	338	320	314	296	287	269	278	274	251	270
Guidance	12	11	11	12	13	11	12	12	13	13
Psychological	-	-	-	1	1	1	1	1	1	2
Librarian, audiovisual	10	10	10	10	10	9	5	3	2	2
Consultant, supervisor	6	7	5	3	4	16	18	28	17	11
Other professionals	14	12	12	14	18	17	18	14	13	21
Total professionals	406	385	377	360	357	348	358	358	322	350
Teacher Assistants	132	111	106	96	92	87	80	72	62	62
Technicians	12	12	13	13	3	2	2	4	17	10
Clerical, secretarial	42	43	44	46	39	40	40	40	40	39
Service workers	91	97	84	77	72	63	56	56	72	89
Skilled crafts	21	16	13	15	16	14	15	15	-	11
Laborers, Unskilled	-	-	-	-	-	-	-	-	2	3
Total employees	704	664	637	607	579	554	551	545	515	564

Source: North Carolina Public Schools Statistical Profile (2009-2018 Editions)

MONTGOMERY COUNTY BOARD OF EDUCATION
Instructional Personnel
Last Ten Fiscal Years

Year Ended June 30	Teacher Salaries[1] Minimum	Maximum	Average	Bachelors Degree[2]	Masters Degree[2]	Advanced Degree[2]	Doctorate Degree[2]
2018	$ 35,000	$ 63,440	$ 47,000	203	59	2	-
2017	35,000	63,480	44,950	227	73	3	-
2016	35,000	62,260	43,130	214	83	6	-
2015	35,000	62,260	42,820	218	83	4	-
2014	30,800	63,780	47,290	213	66	2	1
2013	30,800	74,646	41,083	210	82	2	-
2012	30,430	64,750	41,250	235	91	2	1
2011	30,430	64,750	41,250	226	71	3	-
2010	30,430	64,750	41,250	239	75	4	1
2009	30,430	64,750	41,250	238	70	4	1

The above tabulation represents total salaries including both state base and the system-wide local supplement, but does not include the following:

(a) Longevity payments, ranging from 1 1/2% to 4 1/2% of the annual salary, made to each teacher for 10 or more years of service.
(b) Payments of varying amounts for performing extra duties.
(c) Bonus payments

Sources:
(1) Montgomery County Board of Education Payroll Data
(2) North Carolina Public Schools Statistical Profile (2009-2017 Editions). Information for 2018 obtained from Montgomery County Board of Education Personnel Data.

MONTGOMERY COUNTY BOARD OF EDUCATION
School Building Data
June 30, 2018

Site	Year Built	Capacity	Current Membership	Over/(Under) Capacity	Condition
Candor Elementary	1979	553	381	-31%	Good
Green Ridge Elementary	2008	700	368	-47%	Excellent
Mount Gilead Elementary	1979	476	261	-45%	Good
Page Street Elementary	2002	401	252	-37%	Good
Star Elementary	1983	444	313	-30%	Good
Troy Elementary	1979	419	276	-34%	Good
East Middle	1990	478	449	-6%	Good
West Middle	1990	644	368	-43%	Good
Montgomery Learning Academy	1965	100	44	-56%	Fair
East Montgomery High	1960	665	561	-16%	Fair
West Montgomery High	1960	825	481	-42%	Fair
Montgomery County Early College[(1)]	N/A	N/A	124	N/A	N/A

N/A = Not Applicable

Source: Montgomery County Board of Education N. C. Public Schools Facility Needs Report; 2018.

Note:
(1) Early College is located at Montgomery Community College

MONTGOMERY COUNTY, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Year Ended June 30	2009	2010	2011	2012	2013
Population estimate (1)	27,745	27,798	27,667	27,668	27,571
Personal income (2)	$731,779,000	$756,549,000	$778,693,000	$820,671,000	$853,763,000
Per capita income (2)	$26,375	$27,216	$28,145	$29,661	$30,966
Median age (3)	37.86	38.01	38.93	39.05	39.16
School enrollment (4)	4,330	4,221	4,104	4,137	4,131
Unemployment rate (5)	13.3%	12.5%	12.6%	12.5%	10.2%
Year Ended June 30	**2014**	**2015**	**2016**	**2017**	**2018**
Population estimate (1)	27,395	27,548	27,418	27,435	N/A
Personal income (2)	$885,777,000	$914,550,000	$941,269,000	N/A	N/A
Per capita income (2)	$32,334	$33,198	$34,330	N/A	N/A
Median age (3)	39.27	39.42	41.66	41.72	41.85
School enrollment (4)	4,115	4,008	3,950	3,857	3,878
Unemployment rate (5)	6.8%	6.2%	5.2%	4.3%	4.2%

N/A = Not Available

Sources:
(1) Based upon estimates issued by the U.S. Census Bureau as of July 1
(2) Bureau of Economic Analysis
(3) Office of State Budget and Management
(4) North Carolina Department of Public Instruction
(5) North Carolina Employment Security Commission

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2018 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2019, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2017 and June 30, 2018 income based information will be shown above as "N/A", and the June 30, 2017 information will be reported for the year ended June 30, 2019, if applicable.

MONTGOMERY COUNTY, NORTH CAROLINA
Principal Employers
For Years Ended June 30, 2018 and 2009

	2018			2009		
Employer	**Employees [1]**	**Rank**	**Approximate Percentage of Total County Employment**	**Employees [1]**	**Rank**	**Approximate Percentage of Total County Employment**
Montgomery County Schools	500 - 999	1	7%	500 - 999	1	7%
Grede II LLC	250 - 499	2	3%			
Jordan Lumber & Supply, Inc.	250 - 499	3	3%	250 - 499	5	4%
Klaussner Furniture Industries	250 - 499	4	3%	250 - 499	2	4%
NC Dept. of Public Safety	250 - 499	5	3%	250 - 499	3	4%
Nipcam Services of North Carolina	250 - 499	6	3%			
County of Montgomery	100 - 249	7	2%	250 - 499	4	4%
Family First Home Care LLC	100 - 249	8	2%			
McRae Industries	100 - 249	9	2%	100 - 249	9	2%
Autumn Care of Biscoe	100 - 249	10	2%			
First Health of The Carolinas Inc				100 - 249	6	2%
Citation Corporation				100 - 249	7	2%
First Bank				100 - 249	8	2%
Wal Mart				100 - 249	10	2%
			30%			33%
Total County Employment [2]	11,504			10,018		

Sources:

(1) North Carolina Chamber of Commerce - current year data is as of March 31st

(2) North Carolina Employment Security Commission

MONTGOMERY COUNTY, NORTH CAROLINA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended June 30	Governmental Activities: Capitalized Leases	Governmental Activities: Installment Purchases	Governmental Activities: General Obligation Bonds	Business -Type Activities: Installment Purchases	Business -Type Activities: General Obligation Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2017	$ 409,379	$ 2,449,607	$ 12,990,012	$ 10,795,073	$ -	$ 26,644,071	N/A	$ 971
2016	-	2,775,281	14,647,740	11,622,076	-	29,045,097	3.18%	1,059
2015	-	3,147,234	16,195,882	12,540,565	-	31,883,681	3.49%	1,157
2014	12,521	3,662,527	19,840,000	10,941,883	-	34,456,931	3.89%	1,258
2013	37,429	735,202	20,920,000	11,673,348	-	33,365,979	3.91%	1,210
2012	69,462	646,856	22,010,000	5,027,312	5,905,760	33,659,390	4.10%	1,217
2011	312,309	824,259	23,110,000	4,793,212	6,014,500	35,054,280	4.50%	1,267
2010	658,904	983,766	24,225,000	4,925,466	6,118,000	36,911,136	4.88%	1,328
2009	780,352	1,135,558	25,338,070	5,068,662	6,262,930	38,585,572	5.27%	1,391

N/A = Not Available

Source: Montgomery County, North Carolina, Annual Financial Reports.

Note: This table is a ten year schedule. However, the annual financial report for the year ended June 30, 2018 could not be obtained from Montgomery County nor their auditors prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2018 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2019, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2017 and June 30, 2018 income based information will be shown above as "N/A", and the June 30, 2017 information will be reported for the year ended June 30, 2019, if applicable.

MONTGOMERY COUNTY, NORTH CAROLINA
Principal Property Taxpayers
December 31, 2017 and December 31, 2008

		2017			2008		
Taxpayer	**Type of Business**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Alcoa Power Generating Inc.	Utility	$ 94,299,897	1	3.24%	$ -		-
Duke Energy Progress Inc.	Utility	58,628,584	2	2.02%	-		-
Unilin North America LLC	Manufacturing	41,001,737	3	1.41%	68,800,794	1	3.00%
Jordan Lumber & Supply Inc	Manufacturing	35,182,912	4	1.21%	33,390,199	3	1.46%
Troy Lumber Co.	Manufacturing	30,105,402	5	1.04%	10,902,991	6	0.48%
Wright Food Groups	Manufacturing	26,478,247	6	0.91%	-		-
Mountaire Farms, Inc.	Manufacturing	16,200,022	7	0.56%	13,687,314	5	0.60%
Strata Solar LLC	Utility	15,000,000	8	0.52%	-		-
Redus NC Land LLC	Real Estate Dev.	12,963,100	9	0.45%	-		-
Montgomery Solar, LLC	Utility	11,693,107	10	0.40%	-		-
Yadkin, Inc.	Manufacturing	-		-	45,002,945	2	1.97%
Tillery Tradition, Inc	Real Estate Dev.	-		-	14,829,940	4	0.65%
Citation Castings, LLC	Manufacturing	-		-	10,498,210	7	0.46%
Lake Badin Associates	Real Estate Dev.	-		-	9,879,010	8	0.43%
KEI Acquisition Corp.	Real Estate Dev.	-		-	7,124,400	9	0.31%
VK Member Holdings NC, LLC	Real Estate Dev.	-		-	6,980,721	10	0.30%
		$ 341,553,008		11.76%	$ 221,096,524		9.66%
Total Assessed Valuation		$ 2,906,820,100			$ 2,289,969,177		

Source: Montgomery County Tax Administrator

MONTGOMERY COUNTY, NORTH CAROLINA
Property Tax Levies and Current Collections
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected
2018	$ 18,056,887	$ 17,427,534	96.51%
2017	17,601,921	17,215,292	97.80%
2016	17,327,186	16,891,868	97.49%
2015	15,649,679	15,180,161	97.00%
2014	16,287,804	15,811,601	97.08%
2013	16,566,009	15,926,108	96.14%
2012	15,644,079	15,068,885	96.32%
2011	15,568,890	15,024,554	96.50%
2010	14,344,479	13,900,698	96.91%
2009	13,338,194	12,917,249	96.84%

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections
2018	$ 7,165,744	$ 6,915,990
2017	7,185,777	7,027,941
2016	7,188,570	7,007,969
2015	6,557,916	6,361,167
2014	6,833,766	6,633,969
2013	7,094,529	6,820,486
2012	6,817,246	6,566,592
2011	6,897,374	6,656,220
2010	6,581,093	6,377,491
2009	6,183,879	5,988,720

Source: Montgomery County Tax Administrator

Note: Nominal dollars reflect actual dollars of the period of the transaction. Constant dollars reflect dollars having a constant general purchasing power as shown by the Consumer Price Index for All Urban Consumers (CPI-U) (Calendar years 1982-1984=100).

"21st Century Learning and Teaching"

