

Montgomery County Board of Education

Troy, North Carolina

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

Montgomery County Board of Education
Troy, North Carolina

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012

Prepared by
Kathy Johnson
and the
Finance Department


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

MONTGOMERY COUNTY BOARD OF EDUCATION
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Introductory Section

Montgomery County Schools

441 Page Street • P.O. Box 427 • Troy, North Carolina 27371-0427

(910) 576-6511 FAX (910) 576-2044

December 10, 2012

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, 2012, 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 2011-2012 fiscal year, the school system served approximately 4,100 students from kindergarten through 12th grade in 6 elementary schools, 2 middle schools, 2 high schools and 1 alternative school. 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 during this economic downturn. The community is involved and interested in public schools but local financial support has been reduced significantly in the past three 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 continued to show support for the school system but due to the decrease in business and industry they decreased the local county appropriation by a total of $197,000 from the previous year. This is the 3rd year in a row that the local county appropriation was significantly reduced. As a result of the decrease in county funding, the Board of Education has had to reduce the number of employees in the school system. This decrease in staffing required internal restructuring within the school system in order to continue providing a high level of service to the students.

Over the previous four years, the Board had experienced a steady decline in student enrollment of approximately 4.6%. The Board expects student enrollment to level off and remain consistent over the next several years.

Our high schools were built in 1960 and are in need of constant repairs and update in the science and technology areas, but due to the economic condition of the county, funding is not available at this time. Out middle schools were built in 1990 and need new roofs.

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 2011-2012. Some of these accomplishments include:

- Montgomery County Schools continued to demonstrate improvement in performances in the state-testing program. For the second consecutive year, every school met their growth targets and Montgomery County Schools was a "District of Growth". East Montgomery High School was a "School of Distinction", with 86.5 percent of the students scoring at or above Achievement Level III.

- For 2010-2011 white students scored 22.6 percentage points higher on average than black students. For 2011-2012, the gap was 26.1 percentage points. Plans have been put in place to address this increasing gap.

- Montgomery Learning Academy (MLA) has been successful in reducing the dropout rate. The alternative school has provided students the opportunity of flexible scheduling for students to graduate who otherwise would have dropped out of school. The dropout rate decreased from 3.41 percent to 3.25 percent, which is well below the state average of 3.92 percent.

- In response to the need for providing a terminal certificate of achievement to handicapped children who would never meet standard graduation requirements, the Board of Education approved 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.

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 and are to provide reasonable assurance regarding the safeguarding of assets from unauthorized use or disposition. We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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, 2011. 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.

Letter of Transmittal *(Continued)*

ACKNOWLEDGEMENTS

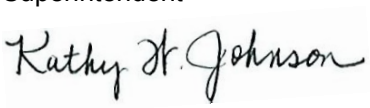
The preparation of this report could not have been accomplished without the dedicated efforts of the finance staff and the Board's independent certified public accounting firm of Anderson Smith & Wike PLLC. We wish to express appreciation to all employees who assisted in the timely closing of the Montgomery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



Kathy W. Johnson
Chief Financial Officer


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

Montgomery County Board of Education
Troy, North Carolina

July 1, 2011 - June 30, 2012

Board Members

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

Shirley Threadgill
Bryan Dozier
Tommy Blake
Sandra Miller
Jesse Hill

Principal Officers

Dr. Dale Ellis, *Superintendent*
Dr. Sue Hatley, *Assistant Superintendent*
Dr. Kevin Lancaster, *Assistant Superintendent*

MONTGOMERY COUNTY SCHOOLS ADMINISTRATIVE ORGANIZATION CHART — AUGUST 2012

Board of Education
Clerk to the Board of Education - Carol Hardee

Superintendent
Dr. Dale Ellis
Administrative Assistant
Carol Hardee

Director of Communications And Family Engagement
Lindsay Whitley

Family Engagement/Migrant Education Liaison
Cynthia Martinez

Assistant Superintendent of Curriculum and Instruction
Sue Hatley
K-12 Curriculum
Federal Programs
State Grants
Local Instructional Initiatives
Interpreter
Cynthia Martinez
Federal Program Administrative Assistant
Susan Muse

Chief Financial Officer
Kathy Johnson
Assist Finance Officer
Lisa Ritter
Benefits Representative
Pam Cameron
Accounts Payable
Donna Morris
Federal
Lourdes Yarbrough
Medicaid Billing
Mike Slingerland

Principals
Todd Beane
Jack Cagle
Joan Frye
Della Ingram
Donna Kennedy
Beth Lancaster
Donnie Lynthacum
Anne McLean
Vance Thomas
Heather Seawell
*Bruce Williams
*Interim
School Staffs

Assistant Superintendent of Operations
Kevin Lancaster
Personnel & Auxiliary Services
Athletics, Policies, Homebound, Homeless, Safe and Drug Free Schools, Discipline Data, School Crime and Violence Driver's Education Title II/Title IX Student Assignments/Transfers Student Services, Appeals SRO's
Administrative Assistants
Susan Fox
Felicia Ward
Aux Services Admin Assist
Susan Muse

Director of Secondary Education/ CTE Program
Phillip Brown

Director of Elementary Education/ AIG Program
Deidra Steed

Director of Performance & Account-ability
Ben Grindstaff

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

Director of Exceptional Children School Psychologists
Barbara Slingerland

Director of Technology
Rodney Neal

Technicians
David Kellis
Matt DeBerry

Instructional Technology Specialist
Wade Auman
School Technology Assistants

Pre-K Programs
Karen Dozier

NC Wise Coordinator
Kristy Buchman

Federal Compliance
Mike Slingerland

Behavior Specialists
Terry Little
Julie Whitman

Director of Maintenance Construction Facilities Maintenance
Bill Mingin
Administrative Assistant
Joyce Watson
Energy Specialist
Nelson Furr

Director of Transportation
John Ward
Transportation Specialist
Robin Haithcock
TIMS Operator
Fannie Cagle

Nurses
Susan Brooks
Teresa Caudill
Brenda DeBerry
Tabatha Gibson
Rebecca Rushing

ILT/National Board Support Coordinator
Deidra Steed

Director of Child Nutrition
Terry Jordan
Administrative Assistant
Andrea Voncannon

Student Assistance
Alicia Beard
Erie Greene
Mike Slingerland

Receptionist
Shirley Harris

Montgomery County Schools

Certificate of Achievement - GFOA

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Esser

Executive Director

Certificate of Excellence - ASBO

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

This 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, 2011

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

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

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, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Montgomery County Board of Education's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Federal Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9 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.

Our audit was performed 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, the 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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.

Anderson Smith & Wike PLLC

September 17, 2012
Rockingham, North Carolina
(910) 997-1418

This section of the Montgomery County Board of Education's (the "Board"*)* financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2012. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The Board examined all programs and personnel closely this year due to significant reductions in local and State funding. The Board spent all of the remaining federal funding through the American Recovery and Reinvestment Act (ARRA) for the 2011-2012 fiscal year which helped to offset some of the local and state funding reductions. The other funding reductions were absorbed through attrition.

- The Board made adjustments to school level funding based on a continued decrease in average daily membership. Every effort was made to minimize the impact on classroom instruction.

- Average Daily Membership increased slightly from 4,104 students in the 2010-2011 year to 4,137 students in the 2011-2012 year.

- The Board received several million dollars of American Recovery and Reinvestment Act (ARRA) revenue over the past few years. Virtually all ARRA funding has now expired. Management and the Board of Education are working diligently to maintain a balanced budget and find ways to absorb these lost revenues.

- Financial reporting awards from Association of School Business Officials International and the Government Finance Officers Association were received for the second 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 assets and the statement of activities. The statement of net assets includes all of the Board's assets and liabilities. 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 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 assets includes all of the Board's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net assets and how they have changed. Net assets are the difference between the Board's assets and liabilities. This is one way to measure the unit's financial health or position.

- Over time, increases or decreases in the Board's net assets 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 assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by $45.3 million as of June 30, 2012 as compared to $46.5 million as of June 30, 2011, a decrease of $1.2 million. The largest component of net assets is invested in capital assets of $42.0 million, which comprises 92.5% of the total net assets. Following is a summary of the Statement of Net Assets at June 30, 2012 and 2011:

Table 1
Condensed Statement of Net Assets
As of June 30, 2012 and 2011

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/12	6/30/11	6/30/12	6/30/11	6/30/12	6/30/11
Current assets	$ 5,270,854	$ 5,039,325	$ 596,471	$ 456,675	$ 5,867,325	$ 5,496,000
Capital assets	41,653,655	42,993,751	297,023	357,661	41,950,678	43,351,412
Total assets	46,924,509	48,033,076	893,494	814,336	47,818,003	48,847,412
Current liabilities	1,063,771	972,172	32,275	36,418	1,096,046	1,008,590
Long-term liabilities	1,367,661	1,324,400	16,363	18,310	1,384,024	1,342,710
Total liabilities	2,431,432	2,296,572	48,638	54,728	2,480,070	2,351,300
Invested in capital assets	41,653,655	42,993,751	297,023	357,661	41,950,678	43,351,412
Restricted net assets	1,114,305	978,669	-	-	1,114,305	978,669
Unrestricted net assets	1,725,117	1,764,084	547,833	401,947	2,272,950	2,166,031
Total net assets	$ 44,493,077	$ 45,736,504	$ 844,856	$ 759,608	$ 45,337,933	$ 46,496,112

The net assets of the Board's governmental activities decreased $1.2 million during the year, from $45.7 million at June 30, 2011 to $44.5 million at June 30, 2012, indicating a decline in the financial condition of the Board. Restricted net assets increased by $136,000 while unrestricted net assets reported a slight decrease of $39,000 from the prior year. Net assets invested in capital assets decreased $1.3 million due to an excess of depreciation expense over capital additions for the year.

The net assets of the Board's business-type activities increased $85,000 from $760,000 at June 30, 2011 to $845,000 at June 30, 2012. This increase of $85,000 is the net profit generated by our school food service operations during the 2012 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, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/12	6/30/11	6/30/12	6/30/11	6/30/12	6/30/11
Revenues:						
Program revenues:						
Charges for services	$ 1,104,666	$ 1,049,086	$ 621,453	$ 640,632	$ 1,726,119	$ 1,689,718
Operating grants and contributions	28,694,384	29,433,994	2,290,673	2,175,623	30,985,057	31,609,617
General revenues:						
County appropriations	4,803,174	5,000,606	-	-	4,803,174	5,000,606
State appropriations	1,374,852	1,642,641	-	-	1,374,852	1,642,641
Other revenues	278,887	612,066	10,928	308	289,815	612,374
Total revenues	36,255,963	37,738,393	2,923,054	2,816,563	39,179,017	40,554,956
Expenses:						
Governmental activities:						
Instructional services	29,389,524	29,734,216	-	-	29,389,524	29,734,216
System-wide support services	6,782,926	6,723,474	-	-	6,782,926	6,723,474
Ancillary services	-	3,626	-	-	-	3,626
Interest on long-term debt	-	1,148	-	-	-	1,148
Unallocated depreciation	1,243,575	1,373,631	-	-	1,243,575	1,373,631
Business-type activities:						
School food service	-	-	2,921,171	2,777,750	2,921,171	2,777,750
Total expenses	37,416,025	37,836,095	2,921,171	2,777,750	40,337,196	40,613,845
Excess (deficiency) before transfers	(1,160,062)	(97,702)	1,883	38,813	(1,158,179)	(58,889)
Transfers in (out)	(83,365)	(81,718)	83,365	81,718	-	-
Increase(decrease) in net assets	(1,243,427)	(179,420)	85,248	120,531	(1,158,179)	(58,889)
Beginning net assets	45,736,504	45,915,924	759,608	639,077	46,496,112	46,555,001
Ending net assets	$ 44,493,077	$ 45,736,504	$ 844,856	$ 759,608	$ 45,337,933	$ 46,496,112

Total governmental activities generated revenues of $36.3 million while expenses in this category totaled $37.4 million for the year ended June 30, 2012, resulting in the aforementioned decrease in net assets of $1.2 million (including transfers to business-type activities of $83,000). Comparatively, revenues were $37.7 million, expenses totaled $37.8 million and transfers out were $82,000 for the year ended June 30, 2011, resulting in a decrease in net assets of $179,000.

In comparing the two years, revenues decreased $1.5 million while expenses decreased by $420,000. The decrease in revenues is primarily attributable to a decrease in funding from operating grants and contributions. Revenues from federal ARRA (American Recovery and Reinvestment Act) grant contributions decreased significantly due to the expiration of the majority of these grants during the year. The decline in expenses was primarily in instructional services. Due to the expiration of the ARRA funding, the Board cut its budgets accordingly to absorb these reduced funding levels.

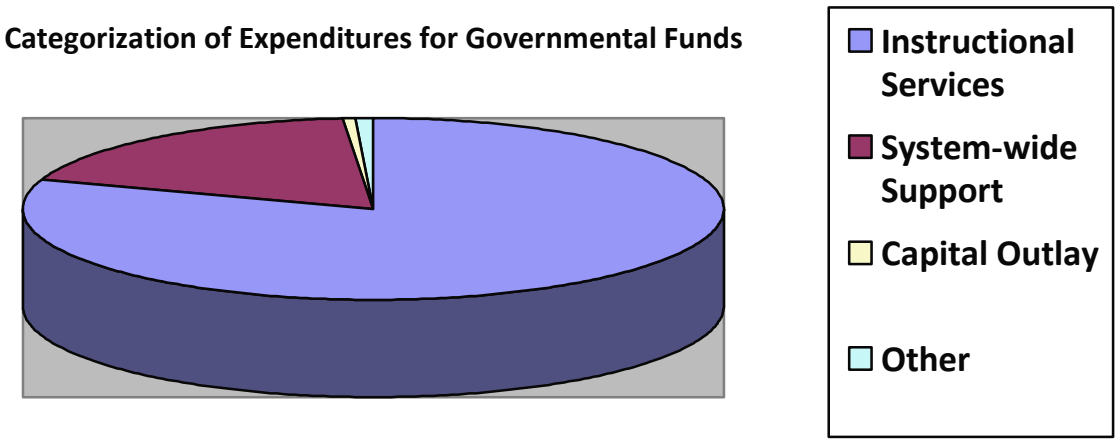
The Board's primary sources of revenues were funding from the State of North Carolina, Montgomery County, and the United States Government, which respectively comprised 68.9%, 13.2% and 11.1% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 78.6% of our total expenditures during the most recent fiscal year. Of the remaining 21.4% of our total expenditures, 18.1% was attributable to system-wide support services.

Our business-type activities generated revenues of $2.9 million while expenses in this category also totaled $2.9 million for the year ended June 30, 2012. For the year, net assets increased by $85,000 (including transfers in of $83,000). Comparatively, revenues and expenses were both $2.8 million for the year ended June 30, 2011, resulting in an increase in net assets of $121,000 (including transfers in of $82,000). In comparing the two years, the year-over-year decline in profitability of $36,000 was primarily attributable to increased food costs, offset slightly by decreased salaries and benefits and an increase in federal reimbursements revenue.

Financial Analysis of the Board's Funds

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

The Board's governmental funds reported a combined fund balance of $5.1 million at June 30, 2012, an increase of $187,000 over the $4.9 million reported at June 30, 2011. The Board's Other Special Revenue and Capital Outlay funds each reported increases in fund balance for the year ended June 30, 2012 of $454,000, $5,000, respectively, while the General Fund reported a decrease of $272,000 (including the increase in reserve for inventories). The Individual Schools Fund reported a slight increase in fund balance of $1,000. Overall, total governmental fund revenues decreased by $1.5 million while total expenditures decreased by $132,000 from the prior year. As noted previously, the decrease in revenues is primarily attributable to the expiration of federal ARRA funding. Revenues in the Federal Grants Fund decreased by $787,000 from the prior year, due almost entirely to a reduction in ARRA funding. Funding from the County decreased by approximately $200,000 compared to the prior year due to efforts by the County to decrease expenditures and improve its financial condition.



Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported an increase in net assets of $85,000 for the fiscal year ended June 30, 2012 compared to an increase of $121,000 for the same 2011 period, a decline of $36,000. See the section above titled *Financial Analysis of the Board as a Whole* for a detailed explanation of the reasons for this year-over-year improvement.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. The effect of these revisions was to increase fund balance appropriated over the original budget by $644,000 and increase budgeted expenditures for instructional services. Since expenditure expectations and revenue sources can be unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments. The Board's expenditures in the General Fund were $3.1 million under budget for the year. During the 2011-2012 fiscal year, the Board established the Other Special Revenue Fund to account for certain State, federal and private grant revenues, reimbursements, indirect costs and other miscellaneous revenues. Certain expenditures originally budgeted for from the General Fund were budgeted and paid from this newly established fund. In addition, the State allots positions to the Board for teachers and various other staff and pays the full cost of those positions rather than giving the Board a specific dollar allotment to use. Through the effective utilization of these position allotments, management was able to shift higher-paid employee salary and related benefit expenditures to the State Public School Fund and pay lower-paid individuals from the General Fund and other dollar allotment revenue sources. Through this process, the Board was able to generate significant savings which are reflected in the favorable budget variance in the General Fund for the year.

For the year, the Board's General Fund reported a decrease in fund balance of $272,000 compared to an increase in the prior year of $1.5 million. As mentioned previously, federal ARRA funding expired during the year, resulting in the Board receiving approximately $800,000 less in Federal Grants Fund revenues. In addition, funding flexibility allowed by the State in the 2010-2011 fiscal year was limited in the current year. This flexibility allowed the Board to convert position allotments to dollar allotments that could be used to meet other budgetary needs of the district. The Board established the Other Special Revenue Fund during the year, which reported an increase in fund balance of $454,000. The activity reported in this newly created fund was included in the General Fund prior to the 2011-2012 fiscal year.

Capital Assets

Total primary government capital assets were $42.0 million at June 30, 2012 compared to $43.4 million at June 30, 2011, a decline of 3.2%. 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, 2012 and 2011:

Table 3
Summary of Capital Assets
As of June 30, 2012 and 2011

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/12	6/30/11	6/30/12	6/30/11	6/30/12	6/30/11
Land	$ 568,931	$ 568,931	$ -	$ -	$ 568,931	$ 568,931
Buildings and improvements	40,471,312	41,647,648	-	-	40,471,312	41,647,648
Equipment and furniture	415,966	444,502	297,023	357,661	712,989	802,163
Vehicles	197,446	332,670	-	-	197,446	332,670
Total	$ 41,653,655	$ 42,993,751	$ 297,023	$ 357,661	$ 41,950,678	$ 43,351,412

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, 2012, Montgomery County experienced an unemployment rate of approximately 12.5% as compared to an unemployment rate of approximately 12.7% at June 30, 2011. Montgomery County's unemployment rate is well above the June 30, 2012 State of N.C. and national unemployment rates of 9.9% and 8.4%, respectively.

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

Requests for Information

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

Kathy Johnson, 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 ASSETS
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 4,848,134	$ 478,269	$ 5,326,403
Due from other governments	84,877	65,440	150,317
Receivables	95,749	303	96,052
Inventories	242,094	52,459	294,553
Capital assets:			
Land	568,931	-	568,931
Other capital assets, net of depreciation	41,084,724	297,023	41,381,747
Total capital assets	41,653,655	297,023	41,950,678
Total assets	46,924,509	893,494	47,818,003
Liabilities			
Accounts payable and accrued expenses	168,529	47	168,576
Due to other governments	20,766	-	20,766
Unearned revenue	-	5,242	5,242
Long-term liabilities:			
Due within one year	874,476	26,986	901,462
Due in more than one year	1,367,661	16,363	1,384,024
Total liabilities	2,431,432	48,638	2,480,070
Net assets			
Invested in capital assets	41,653,655	297,023	41,950,678
Restricted for:			
Stabilization by State statute	180,626	-	180,626
School capital outlay	536,823	-	536,823
Instructional services	22,169	-	22,169
Individual schools activities	374,687	-	374,687
Unrestricted	1,725,117	547,833	2,272,950
Total net assets	$ 44,493,077	$ 844,856	$ 45,337,933

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, 2012

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 Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	$ 17,178,091	$ -	$ 15,767,133	$ -	$ (1,410,958)	$ -	$ (1,410,958)
Special populations	3,869,245	-	4,082,242	-	212,997	-	212,997
Alternative programs	2,971,713	-	2,334,634	-	(637,079)	-	(637,079)
School leadership	1,413,822	-	1,630,009	-	216,187	-	216,187
Co-curricular	2,035,523	1,089,641	-	-	(945,882)	-	(945,882)
School-based support	1,921,130	-	1,619,892	-	(301,238)	-	(301,238)
System-wide support services:							
Support and development	258,856	-	105,286	-	(153,570)	-	(153,570)
Special population support and development	337,811	-	44,322	-	(293,489)	-	(293,489)
Alternative programs and services support and development	113,959	-	113,673	-	(286)	-	(286)
Technology support	137,219	-	90,208	-	(47,011)	-	(47,011)
Operational support	4,504,730	-	2,300,438	-	(2,204,292)	-	(2,204,292)
Financial and human resource services	755,523	15,025	194,729	-	(545,769)	-	(545,769)
Accountability	56,318	-	54,362	-	(1,956)	-	(1,956)
System-wide pupil support	114,749	-	-	-	(114,749)	-	(114,749)
Policy, leadership and public relations	503,761	-	260,882	-	(242,879)	-	(242,879)
Non-programmed charges	-	-	96,574	-	96,574	-	96,574
Unallocated depreciation expense**	1,243,575	-	-	-	(1,243,575)	-	(1,243,575)
Total governmental activities	37,416,025	1,104,666	28,694,384	-	(7,616,975)	-	(7,616,975)
Business-type activities:							
School food service	2,921,171	621,453	2,290,673	-	-	(9,045)	(9,045)
Total primary government	$ 40,337,196	$ 1,726,119	$ 30,985,057	$ -	(7,616,975)	(9,045)	(7,626,020)
		General revenues:					
		Unrestricted county appropriations - operating			4,803,174	-	4,803,174
		Unrestricted State appropriations - operating			1,374,852	-	1,374,852
		Investment earnings, unrestricted			18,683	318	19,001
		Miscellaneous, unrestricted			260,204	10,610	270,814
		Transfers			(83,365)	83,365	-
		Total general revenues and transfers			6,373,548	94,293	6,467,841
		Change in net assets			(1,243,427)	85,248	(1,158,179)
		Net assets - beginning			45,736,504	759,608	46,496,112
		Net assets - ending			$ 44,493,077	$ 844,856	$ 45,337,933

**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, 2012

	Major Funds					Non-major Fund	
	General	State Public School	Federal Grants	Other Special Revenue	Capital Outlay	Individual Schools	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 3,461,770	$ 20,766	$ -	$ 454,088	$ 536,823	$ 374,687	$ 4,848,134
Due from other governments	84,877	-	-	-	-	-	84,877
Accounts receivable	95,749	-	-	-	-	-	95,749
Inventories	242,094	-	-	-	-	-	242,094
Total assets	$ 3,884,490	$ 20,766	$ -	$ 454,088	$ 536,823	$ 374,687	$ 5,270,854
Liabilities and Fund balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 168,529	$ -	$ -	$ -	$ -	$ -	$ 168,529
Due to other governments	-	20,766	-	-	-	-	20,766
Total liabilities	168,529	20,766	-	-	-	-	189,295
Fund balances:							
Nonspendable:							
Inventories	242,094	-	-	-	-	-	242,094
Restricted:							
Stabilization by State statute	180,626	-	-	-	-	-	180,626
School capital outlay	-	-	-	-	536,823	-	536,823
Instructional services	-	-	-	22,169	-	-	22,169
Individual schools	-	-	-	-	-	374,687	374,687
Assigned:							
Subsequent year's expenditures	3,293,241	-	-	-	-	-	3,293,241
Special revenues	-	-	-	431,919	-	-	431,919
Total fund balances	3,715,961	-	-	454,088	536,823	374,687	5,081,559
Total liabilities and fund balances	$ 3,884,490	$ 20,766	$ -	$ 454,088	$ 536,823	$ 374,687	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	41,653,655
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(2,242,137)
Net assets of governmental activities	$ 44,493,077

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, 2012

	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	$ -	$ 25,028,311	$ -	$ -	$ -	$ -	$ 25,028,311
Montgomery County	4,803,174	-	-	-	-	-	4,803,174
U.S. Government	-	-	3,886,055	160,107	-	-	4,046,162
Other	252,817	-	-	1,123,478	9,160	1,089,641	2,475,096
Total revenues	5,055,991	25,028,311	3,886,055	1,283,585	9,160	1,089,641	36,352,743
Expenditures:							
Current:							
Instructional services:							
Regular instructional	976,843	15,332,504	754,937	70,757	-	-	17,135,041
Special populations	15,566	3,042,751	801,231	-	-	-	3,859,548
Alternative programs	-	1,155,391	1,179,243	629,632	-	-	2,964,266
School leadership	371,763	1,038,516	-	-	-	-	1,410,279
Co-curricular	241,104	-	698,973	-	-	1,090,345	2,030,422
School-based support	208,193	1,419,791	159,223	129,108	-	-	1,916,315
System-wide support services:							
Support and development	152,921	97,369	7,917	-	-	-	258,207
Special population support and development	267,977	68,036	951	-	-	-	336,964
Alternative programs and services support and development	-	-	113,673	-	-	-	113,673
Technology support	-	136,875	-	-	-	-	136,875
Operational support	2,176,348	2,209,782	7,291	-	-	-	4,393,421
Financial and human resource services	599,888	129,509	65,220	-	-	-	794,617
Accountability	1,815	54,362	-	-	-	-	56,177
System-wide pupil support	114,461	-	-	-	-	-	114,461
Policy, leadership and public relations	241,617	260,060	822	-	-	-	502,499
Non-programmed charges	-	-	96,574	-	-	-	96,574
Capital outlay	-	-	-	-	3,750	-	3,750
Total expenditures	5,368,496	24,944,946	3,886,055	829,497	3,750	1,090,345	36,123,089
Revenues over (under) expenditures	(312,505)	83,365	-	454,088	5,410	(704)	229,654
Other financing uses:							
Transfers to other funds	-	(83,365)	-	-	-	-	(83,365)
Net change in fund balance	(312,505)	-	-	454,088	5,410	(704)	146,289
Fund balances:							
Beginning of year	3,987,582	-	-	-	531,413	375,391	4,894,386
Increase in reserve for inventories	40,884	-	-	-	-	-	40,884
End of year	$ 3,715,961	$ -	$ -	$ 454,088	$ 536,823	$ 374,687	$ 5,081,559

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 5***
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

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

Net changes in fund balances - total governmental funds	$ 146,289
Change in fund balance due to change in reserve for inventory	40,884
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.	(1,340,096)
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.	
Compensated absences	(90,504)
Total changes in net assets of governmental activities	$ (1,243,427)

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6***
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	4,482,382	4,482,382	4,803,174	320,792
U.S. Government	-	-	-	-
Other	230,000	230,000	252,817	22,817
Total revenues	4,712,382	4,712,382	5,055,991	343,609
Expenditures:				
Current:				
Instructional services	3,507,731	4,151,238	1,813,469	2,337,769
System-wide support services	4,275,651	4,275,651	3,555,027	720,624
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	7,783,382	8,426,889	5,368,496	3,058,393
Revenues over (under) expenditures	(3,071,000)	(3,714,507)	(312,505)	3,402,002
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	3,071,000	3,714,507	-	(3,714,507)
Net change in fund balance	$ -	$ -	(312,505)	$ (312,505)
Fund balances:				
Beginning of year			3,987,582	
Increase in reserve for inventories			40,884	
End of year			$ 3,715,961	

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 6 (continued)***
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State of North Carolina	$ 24,560,730	$ 25,051,679	$ 25,028,311	$ (23,368)
Montgomery County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	24,560,730	25,051,679	25,028,311	(23,368)
Expenditures:				
Current:				
Instructional services	22,071,155	22,006,751	21,988,953	17,798
System-wide support services	2,406,143	2,961,563	2,955,993	5,570
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	24,477,298	24,968,314	24,944,946	23,368
Revenues over (under) expenditures	83,432	83,365	83,365	-
Other financing uses:				
Transfers to other funds	(83,432)	(83,365)	(83,365)	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
Increase 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)***
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	-	-	-	-
U.S. Government	4,000,289	5,444,322	3,886,055	(1,558,267)
Other	-	-	-	-
Total revenues	4,000,289	5,444,322	3,886,055	(1,558,267)
Expenditures:				
Current:				
Instructional services	3,213,211	4,467,762	3,593,607	874,155
System-wide support services	272,429	285,205	195,874	89,331
Ancillary services	-	-	-	-
Non-programmed charges	514,649	691,355	96,574	594,781
Total expenditures	4,000,289	5,444,322	3,886,055	1,558,267
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	$ -	$ -	-	$ -
Fund balances:				
Beginning of year			-	
Increase 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)***
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	-	-	-	-
U.S. Government	-	53,158	160,107	106,949
Other	211,234	809,190	1,123,478	314,288
Total revenues	211,234	862,348	1,283,585	421,237
Expenditures:				
Current:				
Instructional services	211,234	862,348	829,497	32,851
System-wide support services	-	-	-	-
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	211,234	862,348	829,497	32,851
Revenues over (under) expenditures	-	-	454,088	454,088
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	$ -	$ -	454,088	$ 454,088
Fund balances:				
Beginning of year			-	
Increase in reserve for inventories			-	
End of year			$ 454,088	

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

MONTGOMERY COUNTY BOARD OF EDUCATION ***Exhibit 7***
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
June 30, 2012

	Enterprise Fund Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	$ 478,269
Due from other governments	65,440
Receivables	303
Inventories	52,459
Total current assets	596,471
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	297,023
Total assets	893,494
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	47
Compensated absences	26,986
Unearned revenue	5,242
Total current liabilities	32,275
Noncurrent liabilities:	
Compensated absences	16,363
Total liabilities	48,638
Net assets	
Invested in capital assets	297,023
Unrestricted	547,833
Total net assets	$ 844,856

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 ASSETS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2012

	Enterprise Fund Major Fund School Food Service
Operating revenues:	
Food sales	$ 621,453
Operating expenses:	
Food cost:	
Purchase of food	1,110,686
Donated commodities	141,435
Salaries and benefits	1,436,553
Indirect costs	229,885
Materials and supplies	118,698
Repairs and maintenance	19,218
Depreciation	62,844
Contracted services	25,196
Other	6,335
Total operating expenses	3,150,850
Operating loss	(2,529,397)
Nonoperating revenues:	
Federal reimbursements	2,138,828
Federal commodities	141,435
State reimbursements	10,410
Indirect costs not paid	229,679
Interest earned	318
Other	10,610
Total nonoperating revenues	2,531,280
Income before transfers	1,883
Transfers from other funds	83,365
Change in net assets	85,248
Net assets, beginning of year	759,608
Net assets, end of year	$ 844,856

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, 2012

	Enterprise Fund Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	$ 622,216
Cash paid for goods and services	(1,241,233)
Cash paid to employees for services	(1,358,988)
Net cash used by operating activities	(1,978,005)
Cash flows from noncapital financing activities:	
Federal and State reimbursements	2,153,853
Other	10,610
Net cash provided by noncapital financing activities	2,164,463
Cash flows from capital and related financing activities:	
Purchase of capital assets	(2,206)
Cash flows from investing activities:	
Interest earned on investments	318
Net increase in cash and cash equivalents	184,570
Cash and cash equivalents, beginning of year	293,699
Cash and cash equivalents, end of year	$ 478,269
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (2,529,397)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	62,844
Donated commodities	141,435
Salaries paid by special revenue fund	83,365
Indirect costs not paid	229,679
Changes in assets and liabilities:	
Decrease in accounts receivable	551
Decrease in inventories	39,608
Decrease in accounts payable and accrued liabilities	(502)
Increase in unearned revenue	212
Decrease in compensated absences payable	(5,800)
Total adjustments	551,392
Net cash used by operating activities	$ (1,978,005)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of $141,435 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.

The State Public School Fund paid salaries and benefits of $83,365 to administrative personnel of the School Food Service Fund during the fiscal year. The payment is reflected as an operating transfer in and an operating expense on Exhibit 8.

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

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

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

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Board reports the following major governmental funds:

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

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

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

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

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

The Board reports the following nonmajor governmental funds:

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

The Board reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

All governmental and business-type activities and enterprise funds of the Board follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

The Board's investments are reported at fair value as determined by quoted market prices. The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. The STIF securities are reported at cost and maintain a constant $1 per share value. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to external participants of the fund.

2. Cash and Cash Equivalents

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

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. The inventories of the Board's General Fund consist of expendable

materials and supplies which are recorded as expenditures when purchased. The General Fund inventories do not reflect current appropriable resources and, thus, an equivalent portion of fund balance is classified as nonspendable. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

4. Capital Assets

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

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

5. 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.

6. 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, 2012 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.

7. Net Assets/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

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

> Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].
>
> Restricted for school capital outlay - portion of fund balance that can only be used for school capital outlay. [G.S. 159-18 through 22]
>
> Restricted for instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.
>
> Restricted for Individual Schools – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were collected.

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes.

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

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. 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.

8. 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 assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The net adjustment of $39,411,518 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)	$ 71,069,274
Less accumulated depreciation	(29,415,619)
Net capital assets	41,653,655
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Compensated absences	(2,242,137)
Total adjustment	$ 39,411,518

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 assets of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of ($1,389,716) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 38,703
Change in fund balance due to change in reserve for inventory	40,884
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	(1,378,799)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(90,504)
Total adjustment	$ (1,389,716)

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, 2012, the Board had deposits with banks and savings and loans with a carrying amount of $2,792,390 and with the State Treasurer of $20,766. The bank balances with the financial institutions and the State Treasurer were $2,899,794 and $210,360, respectively. Of these balances, $886,059 was covered by federal depository insurance and $2,224,095 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2012, the Board had $2,513,247 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, 2012. The Board has no policy for managing interest rate risk or credit risk.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2012 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	$ 84,877	$ 95,749	$ 180,626
Business-type activities:			
School Food Service Fund	$ 65,440	$ 303	$ 65,743

Due from other governments consists of the following:

Governmental activities:		
General Fund	$ 84,877	Amounts due from County
Business-type activities:		
School Food Service Fund	$ 65,440	Federal funds

4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 568,931	$ -	$ -	$ 568,931
Capital assets being depreciated:				
Buildings and improvements	65,153,305	-	-	65,153,305
Equipment and furniture	1,017,195	38,703	-	1,055,898
Vehicles	4,291,140	-	-	4,291,140
Total capital assets being depreciated	70,461,640	38,703	-	70,500,343
Less accumulated depreciation for:				
Buildings and improvements	23,505,657	1,176,336	-	24,681,993
Equipment and furniture	572,693	67,239	-	639,932
Vehicles	3,958,470	135,224	-	4,093,694
Total accumulated depreciation	28,036,820	1,378,799	-	29,415,619
Total capital assets being depreciated, net	42,424,820			41,084,724
Governmental activity capital assets, net	$ 42,993,751			$ 41,653,655

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	$ 1,329,732	$ 2,206	$ 1,804	$ 1,330,134
Vehicles	23,986	-	-	23,986
Total capital assets being depreciated	1,353,718	2,206	1,804	1,354,120
Less accumulated depreciation for:				
Equipment and furniture	972,071	62,844	1,804	1,033,111
Vehicles	23,986	-	-	23,986
Total accumulated depreciation	996,057	62,844	1,804	1,057,097
School Food Service capital assets, net	$ 357,661			$ 297,023

Depreciation was charged to governmental functions as follows:

System-wide support services	$ 135,224
Unallocated depreciation	1,243,575
Total	$ 1,378,799

B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Montgomery County Board of Education contributes to 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 provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 7.44% of annual covered payroll. The contribution requirements of plan members and Montgomery County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2012, 2011, and 2010 were $1,697,040, $1,157,514, and $876,232, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

Healthcare Benefits

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

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

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible

for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2012, 2011, and 2010, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of $1,140,484, $1,150,470, and $1,104,494, respectively. These contributions represented 5.00%, 4.90%, and 4.50% of covered payroll, respectively.

Long-term Disability Benefits

Plan Description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as another postemployment benefit from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The Plan accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The plan does not provide for automatic post-retirement benefit increases.

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

Funding Policy. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2012, 2011, and 2010, the Board paid all annual required contributions to the DIPNC for disability benefits of $118,610, $122,091, and $127,630 respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

2. Accounts Payable

Accounts payable as of June 30, 2012 are as follows:

	Vendors	Due to Other Governments	Total
Governmental activities:			
General Fund	$ 168,529	$ -	$ 168,529
Other governmental activities	-	20,766	20,766
Total governmental activities	$ 168,529	$ 20,766	$ 189,295
Business-type activities:			
School Food Service Fund	$ 47	$ -	$ 47

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)	$ 5,242

4. 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. $1 million per occurrence is provided on increased cost of construction.

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a $5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for $50,000. The remaining employees that have access to funds are bonded under a blanket bond for $175,000.

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

5. Long-Term Obligations

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, 2012:

	July 1, 2011	Increases	Decreases	June 30, 2012	Current Portion
Governmental activities:					
Compensated absences	$ 2,151,633	$ 1,524,115	$ 1,433,611	$ 2,242,137	$ 874,476
Business-type activities:					
Compensated absences	$ 49,149	$ 65,694	$ 71,494	$ 43,349	$ 26,986

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

C. Interfund Balances and Activity

Transfers to/from other Funds

Transfers to/from other funds during the year ended June 30, 2012 consisted of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	$ 83,365

D. Fund Balance

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

Total fund balance - General Fund	$ 3,715,961
Less:	
Inventories	(242,094)
Stabilization by State statute	(180,626)
Appropriated Fund Balance in 2013 budget	(3,293,241)
Remaining fund balance	$ -

NOTE 3 – OTHER SPECIAL REVENUE FUND – OTHER REVENUES

Other revenues for the fiscal year ended June 30, 2012 in the Other Special Revenue Fund consists of the following:

Contracted services	$ 560,400
Medicaid reimbursement program	266,459
Other reimbursements	100,000
Indirect costs allocated	101,247
Private grants and programs	67,904
Other	27,468
Total other revenues	$ 1,123,478

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Montgomery County:			
County appropriation	$ 4,482,382	$ 4,718,297	$ 235,915
Timber receipts	-	84,877	84,877
Total Montgomery County	4,482,382	4,803,174	320,792
Other:			
Fines and forfeitures	230,000	230,820	820
Interest earned on investment	-	16,266	16,266
Miscellaneous	-	5,731	5,731
Total other	230,000	252,817	22,817
Total revenues	4,712,382	5,055,991	343,609
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	976,843	-
Special populations	-	15,566	-
School leadership	-	371,763	-
Co-curricular	-	241,104	-
School-based support	-	208,193	-
Total instructional services	4,151,238	1,813,469	2,337,769
System-wide support services:			
Support and development	-	152,921	-
Special population support and development	-	267,977	-
Operational support	-	2,176,348	-
Financial and human resource services	-	599,888	-
Accountability	-	1,815	-
System-wide pupil support	-	114,461	-
Policy, leadership and public relations	-	241,617	-
Total system-wide support services	4,275,651	3,555,027	720,624
Total expenditures	8,426,889	5,368,496	3,058,393
Revenues over (under) expenditures	(3,714,507)	(312,505)	3,402,002
Fund balance appropriated	3,714,507	-	(3,714,507)
Net change in fund balance	$ -	(312,505)	$ (312,505)
Fund balance:			
Beginning of year		3,987,582	
Increase in reserve for inventories		40,884	
End of year		$ 3,715,961	

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2012

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2011	Fund balances June 30, 2012
West Montgomery High	$ 273,895	$ 283,016	$ (9,121)	$ 92,691	$ 83,570
East Montgomery High	262,932	263,406	(474)	63,125	62,651
West Middle	184,831	165,104	19,727	20,249	39,976
East Middle	118,382	117,137	1,245	35,214	36,459
Candor Elementary	22,629	33,886	(11,257)	26,067	14,810
Green Ridge Elementary	40,528	38,582	1,946	31,298	33,244
Mt. Gilead Elementary	38,961	27,772	11,189	11,051	22,240
Page Street Elementary	57,993	62,270	(4,277)	21,993	17,716
Star-Biscoe Elementary	46,946	55,118	(8,172)	56,288	48,116
Troy Elementary	42,544	44,054	(1,510)	17,415	15,905
Totals	$ 1,089,641	$ 1,090,345	$ (704)	$ 375,391	$ 374,687

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, 2012

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Other:			
Interest earned on investments	-	2,417	2,417
Miscellaneous	-	6,743	6,743
Total other	-	9,160	9,160
Expenditures:			
Capital outlay:			
Vehicles	334,604	3,750	330,854
Revenues over (under) expenditures	(334,604)	5,410	340,014
Other financing sources:			
Installment purchase obligations issued	330,854	-	(330,854)
Fund balance appropriated	3,750	-	(3,750)
Net change in fund balance	$ -	5,410	$ 5,410
Fund balance:			
Beginning of year		531,413	
End of year		$ 536,823	

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, 2012

	Final Budget	Actual	Variance Over (Under)
Operating revenues - food sales	$ 617,300	$ 621,453	$ 4,153
Operating expenditures:			
Business support services:			
Purchase of food	-	1,071,078	-
Donated commodities	-	141,435	-
Salaries and benefits	-	1,442,353	-
Indirect costs	-	229,885	-
Materials and supplies	-	118,698	-
Repairs and maintenance	-	19,218	-
Contracted services	-	25,196	-
Other	-	6,335	-
Capital outlay	-	2,206	-
Total operating expenditures	3,178,488	3,056,404	122,084
Operating loss	(2,561,188)	(2,434,951)	126,237
Nonoperating revenues:			
Federal reimbursements and grants	2,087,388	2,138,828	51,440
Federal commodities	130,000	141,435	11,435
State reimbursements	-	10,410	10,410
Indirect costs not paid	250,000	229,679	(20,321)
Interest earned	300	318	18
Other	3,500	10,610	7,110
Total nonoperating revenues	2,471,188	2,531,280	60,092
Excess of revenues over expenditures before other financing sources and fund balance appropriated	(90,000)	96,329	186,329
Other financing sources:			
Transfers from other funds	-	83,365	83,365
Fund balance appropriated	90,000	-	(90,000)
Net change in fund balance	$ -	179,694	$ 179,694
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(62,844)	
Equipment purchases		2,206	
Decrease in compensated absences payable		5,800	
Decrease in inventories		(39,608)	
Change in net assets (full accrual)		$ 85,248	



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.

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.

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.

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.

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.


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

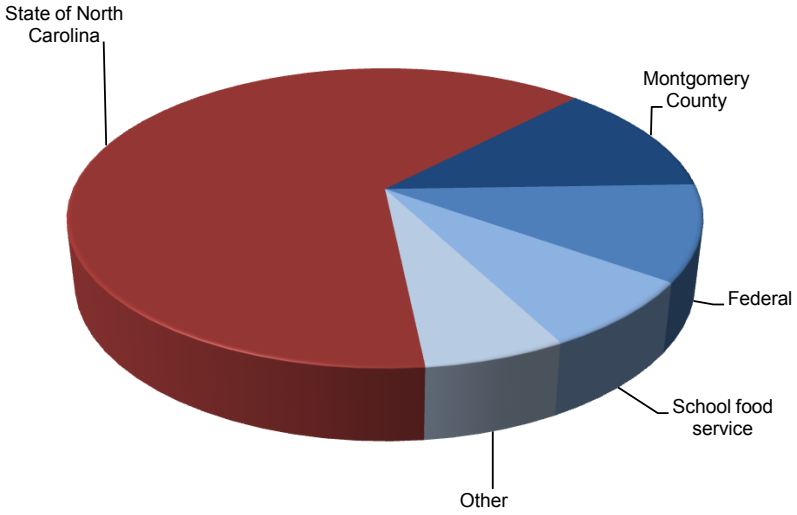
MONTGOMERY COUNTY BOARD OF EDUCATION

Financial Perspective

Governmental and Business-type Activities

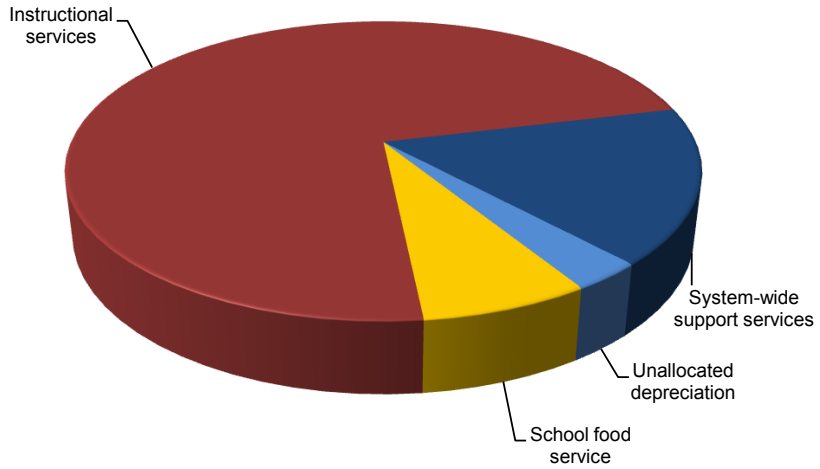
For Year Ended June 30, 2012

Revenue Sources



State of North Carolina	$	25,028,311
Montgomery County		4,803,174
Federal		4,046,162
School food service		2,923,054
Other		2,378,316
Total revenue sources	$	39,179,017

Expenses



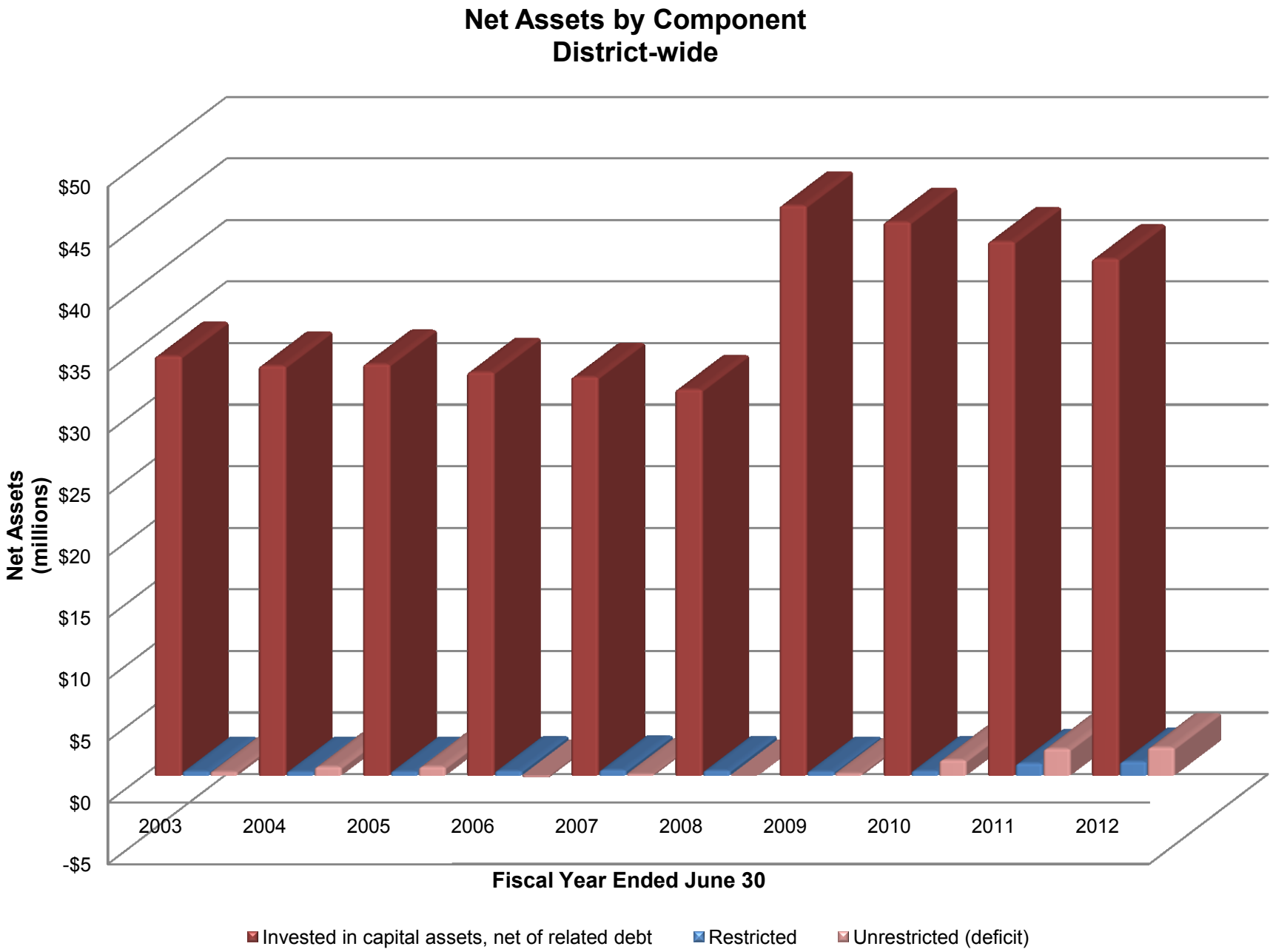
Instructional services	$	29,389,524
System-wide support services		6,782,926
Unallocated depreciation		1,243,575
School food service		2,921,171
Total expenses	$	40,337,196

MONTGOMERY COUNTY BOARD OF EDUCATION

Net Assets by Component
Last Ten Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	$ 33,738,734	$ 32,946,037	$ 33,140,857	$ 32,445,538	$ 32,061,829	$ 31,070,129	$ 45,827,826	$ 44,521,519	$ 42,993,751	$ 41,653,655
Restricted	327,681	310,352	317,729	359,366	428,786	385,997	321,480	361,759	978,669	1,114,305
Unrestricted (deficit)	147,443	512,699	384,569	(445,860)	(63,506)	(148,413)	92,647	1,032,646	1,764,084	1,725,117
	$ 34,213,858	$ 33,769,088	$ 33,843,155	$ 32,359,044	$ 32,427,109	$ 31,307,713	$ 46,241,953	$ 45,915,924	$ 45,736,504	$ 44,493,077
Business-type activities:										
Invested in capital assets	$ 308,914	$ 309,947	$ 257,232	$ 300,034	$ 294,304	$ 270,130	$ 445,417	$ 420,707	$ 357,661	$ 297,023
Unrestricted	157,879	195,551	326,046	214,973	207,537	138,245	109,589	218,370	401,947	547,833
	$ 466,793	$ 505,498	$ 583,278	$ 515,007	$ 501,841	$ 408,375	$ 555,006	$ 639,077	$ 759,608	$ 844,856
District-wide:										
Invested in capital assets, net of related debt	$ 34,047,648	$ 33,255,984	$ 33,398,089	$ 32,745,572	$ 32,356,133	$ 31,340,259	$ 46,273,243	$ 44,942,226	$ 43,351,412	$ 41,950,678
Restricted	327,681	310,352	317,729	359,366	428,786	385,997	321,480	361,759	978,669	1,114,305
Unrestricted (deficit)	305,322	708,250	710,615	(230,887)	144,031	(10,168)	202,236	1,251,016	2,166,031	2,272,950
	$ 34,680,651	$ 34,274,586	$ 34,426,433	$ 32,874,051	$ 32,928,950	$ 31,716,088	$ 46,796,959	$ 46,555,001	$ 46,496,112	$ 45,337,933

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2012


Net Assets by Component
District-wide
$50
$45
$40
$35
$30
$25
$20
$15
$10
$5
$0
-$5
Net Assets (millions)
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Fiscal Year Ended June 30
Invested in capital assets, net of related debt
Restricted
Unrestricted (deficit)

MONTGOMERY COUNTY BOARD OF EDUCATION

Changes in Net Assets
Last Ten Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
Instructional services	$ 23,613,391	$ 24,840,040	$ 27,102,805	$ 27,894,301	$ 29,316,425	$ 33,124,979	$ 33,171,623	$ 32,241,425	$ 29,734,216	$ 29,389,524
System-wide support services	8,058,241	7,844,211	8,975,553	9,701,543	11,603,266	7,717,982	7,842,754	7,654,533	6,723,474	6,782,926
Ancillary services	-	-	-	-	-	1,628	23	69,603	3,626	-
Payments to other governments	(1)	-	74,443	1,203	-	(24,906)	14,353	-	-	-
Interest on long-term debt	18,495	14,030	9,353	12,363	10,679	7,927	5,525	2,954	1,148	-
Unallocated depreciation expense	1,058,245	1,016,364	1,030,795	1,072,760	1,074,827	1,085,362	1,255,578	1,371,938	1,373,631	1,243,575
Total governmental activities expenses	32,748,371	33,714,645	37,192,949	38,682,170	42,005,197	41,912,972	42,289,856	41,340,453	37,836,095	37,416,025
Business-type activities:										
School food service	2,318,927	2,478,722	2,581,823	2,811,431	2,874,941	3,016,575	3,142,514	2,767,689	2,777,750	2,921,171
Total district-wide expenses	$ 35,067,298	$ 36,193,367	$ 39,774,772	$ 41,493,601	$ 44,880,138	$ 44,929,547	$ 45,432,370	$ 44,108,142	$ 40,613,845	$ 40,337,196
Program Revenues										
Governmental activities:										
Charges for services:										
Co-curricular services	$ -	$ 911,179	$ 971,290	$ 989,481	$ 1,170,419	$ 1,178,114	$ 891,050	$ 1,057,212	$ 1,049,086	$ 1,089,641
Other	59,440	27,295	-	-	-	-	-	-	-	15,025
Operating grants and contributions	25,063,206	25,118,837	28,201,251	28,325,719	30,539,517	31,076,875	31,544,450	32,160,088	29,433,994	28,694,384
Capital grants and contributions	436,758	404,107	953,101	659,676	1,649,549	213,756	16,038,728	194,711	-	-
Total governmental activities program revenues	25,559,404	26,461,418	30,125,642	29,974,876	33,359,485	32,468,745	48,474,228	33,412,011	30,483,080	29,799,050
Business-type activities:										
Charges for services:										
Student meal services	815,415	807,097	858,734	774,780	892,578	874,566	846,616	711,791	640,632	621,453
Operating grants and contributions	1,526,902	1,687,792	1,764,096	1,816,865	1,856,118	1,951,489	2,040,734	1,952,400	2,175,623	2,290,673
Capital grants and contributions	-	22,176	21,890	81,161	39,000	-	223,468	42,513	-	-
Total business-type activities program revenues	2,342,317	2,517,065	2,644,720	2,672,806	2,787,696	2,826,055	3,110,818	2,706,704	2,816,255	2,912,126
Total district-wide program revenues	$ 27,901,721	$ 28,978,483	$ 32,770,362	$ 32,647,682	$ 36,147,181	$ 35,294,800	$ 51,585,046	$ 36,118,715	$ 33,299,335	$ 32,711,176
Net (Expense) Revenue										
Governmental activities	$ (7,188,967)	$ (7,253,227)	$ (7,067,307)	$ (8,707,294)	$ (8,645,712)	$ (9,444,227)	$ 6,184,372	$ (7,928,442)	$ (7,353,015)	$ (7,616,975)
Business-type activities	23,390	38,343	62,897	(138,625)	(87,245)	(190,520)	(31,696)	(60,985)	38,505	(9,045)
Total district-wide net (expense) revenue	$ (7,165,577)	$ (7,214,884)	$ (7,004,410)	$ (8,845,919)	$ (8,732,957)	$ (9,634,747)	$ 6,152,676	$ (7,989,427)	$ (7,314,510)	$ (7,626,020)

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

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Unrestricted county appropriations - operating	$ 4,756,257	$ 4,873,918	$ 5,043,009	$ 5,399,057	$ 5,860,789	$ 6,034,914	$ 6,322,066	$ 5,627,501	$ 5,000,606	$ 4,803,174
Unrestricted county appropriations - capital	444,791	562,082	678,280	491,787	1,104,470	478,950	505,417	-	-	-
Unrestricted State appropriations - operating	-	634,502	709,326	946,199	1,222,055	1,284,753	1,298,696	1,301,732	1,462,043	1,374,852
Unrestricted State appropriations - capital	-	-	-	-	-	-	-	189,352	180,598	-
Unrestricted Federal appropriations - capital	363,094	144,059	-	-	-	-	-	-	-	-
Investment earnings, unrestricted	68,965	43,930	45,376	44,941	33,229	31,684	29,437	32,270	26,148	18,683
Miscellaneous, unrestricted	517,235	549,966	720,541	410,483	566,308	590,660	772,071	596,325	585,918	260,204
Transfers	-	-	(55,158)	(69,284)	(73,074)	(96,130)	(177,819)	(144,767)	(81,718)	(83,365)
Total governmental activities	6,150,342	6,808,457	7,141,374	7,223,183	8,713,777	8,324,831	8,749,868	7,602,413	7,173,595	6,373,548
Business-type activities:										
Investment earnings, unrestricted	640	362	536	1,070	1,005	924	508	289	308	318
Miscellaneous, unrestricted	-	-	-	-	-	-	-	-	-	10,610
Transfers	-	-	55,158	69,284	73,074	96,130	177,819	144,767	81,718	83,365
Total business-type activities	640	362	55,694	70,354	74,079	97,054	178,327	145,056	82,026	94,293
Total district-wide	$ 6,150,982	$ 6,808,819	$ 7,197,068	$ 7,293,537	$ 8,787,856	$ 8,421,885	$ 8,928,195	$ 7,747,469	$ 7,255,621	$ 6,467,841
Change in Net Assets										
Governmental activities	$ (1,038,625)	$ (444,770)	$ 74,067	$ (1,484,111)	$ 68,065	$ (1,119,396)	$ 14,934,240	$ (326,029)	$ (179,420)	$ (1,243,427)
Business-type activities	24,030	38,705	118,591	(68,271)	(13,166)	(93,466)	146,631	84,071	120,531	85,248
Total district-wide change in net assets	$ (1,014,595)	$ (406,065)	$ 192,658	$ (1,552,382)	$ 54,899	$ (1,212,862)	$ 15,080,871	$ (241,958)	$ (58,889)	$ (1,158,179)

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2012

Note: Expenses for 2007 and before are not comparable to 2008 (and after) expenses due to a change in the Uniform Chart of Accounts required to be used by all Local Education Agencies in North Carolina.

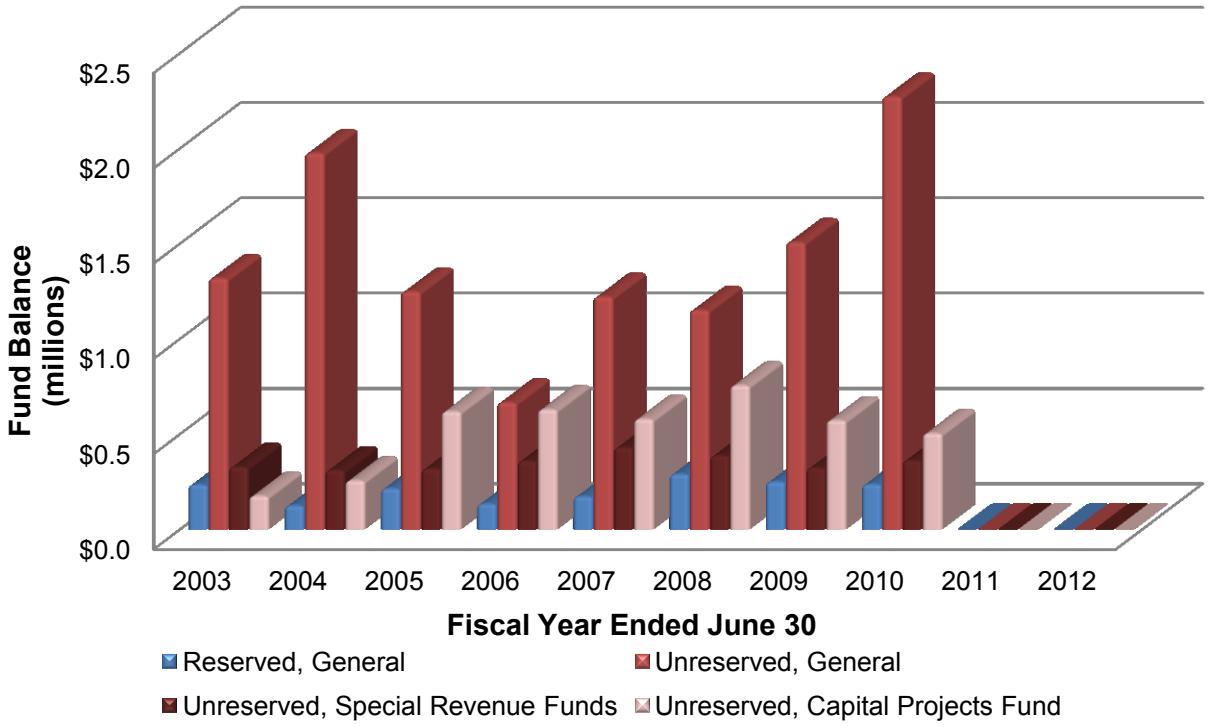
MONTGOMERY COUNTY BOARD OF EDUCATION
Governmental Funds
Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund:										
Reserved	$ 234,389	$ 124,804	$ 214,932	$ 134,280	$ 172,295	$ 289,953	$ 249,430	$ 236,600	$ -	$ -
Unreserved	1,318,341	1,975,385	1,248,435	666,208	1,220,809	1,151,679	1,507,673	2,271,411	-	-
Nonspendable	-	-	-	-	-	-	-	-	201,210	242,094
Restricted	-	-	-	-	-	-	-	-	71,865	180,626
Assigned	-	-	-	-	-	-	-	-	3,714,507	3,293,241
Total General Fund	$ 1,552,730	$ 2,100,189	$ 1,463,367	$ 800,488	$ 1,393,104	$ 1,441,632	$ 1,757,103	$ 2,508,011	$ 3,987,582	$ 3,715,961
All other governmental funds:										
Reserved	$ 19,389	$ 19,389	$ 35,716	$ -	$ 44,543	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:			-							
Special Revenue Funds	327,681	310,352	317,729	359,366	428,786	385,997	321,480	361,759	-	-
Capital Projects Fund	176,126	256,771	619,853	630,171	579,762	756,237	573,271	504,665	-	-
Restricted	-	-	-	-	-	-	-	-	906,804	933,679
Assigned, reported in:										
Other Special Revenue Fund	-	-	-	-	-	-	-	-	-	431,919
Total all other governmental funds	$ 523,196	$ 586,512	$ 973,298	$ 989,537	$ 1,053,091	$ 1,142,234	$ 894,751	$ 866,424	$ 906,804	$ 1,365,598

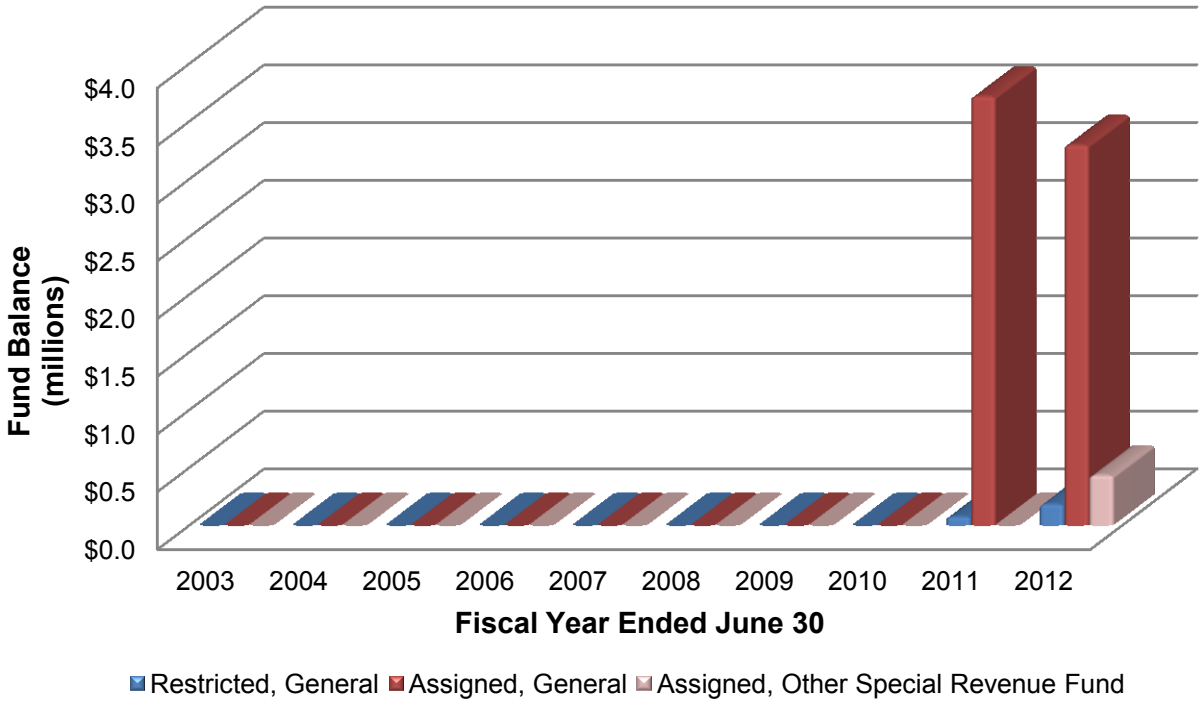
Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2012

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

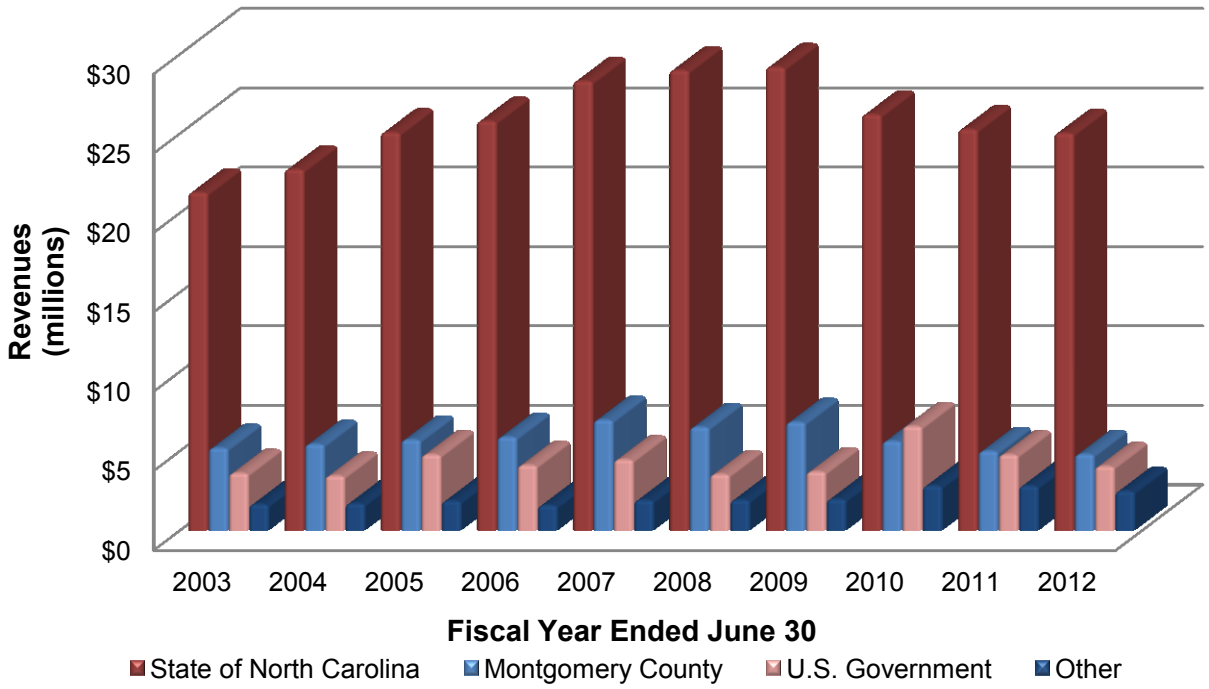
Year Ended June 30	2003	2004	2005	2006	2007
Revenues					
State of North Carolina	$ 21,293,810	$ 22,744,475	$ 25,071,720	$ 25,792,428	$ 28,306,558
Montgomery County	5,201,048	5,436,000	5,721,289	5,890,844	6,965,259
U.S. Government	3,614,901	3,444,588	4,782,317	4,116,875	4,469,050
Other	1,646,095	1,696,731	1,856,463	1,578,681	1,905,228
Total revenues	31,755,854	33,321,794	37,431,789	37,378,828	41,646,095
Expenditures					
Instructional services	23,501,132	24,638,674	27,199,644	27,789,092	29,165,797
System-wide support services	7,091,864	7,182,236	8,663,076	9,154,454	9,670,322
Ancillary services	-	-	-	-	-
Non-programmed charges	46,110	51,919	134,056	47,688	52,939
Debt service	112,694	194,446	701,468	518,227	295,126
Capital outlay	1,001,503	883,739	1,870,090	531,844	2,289,023
Total expenditures	31,753,303	32,951,014	38,568,334	38,041,305	41,473,207
Revenues over (under) expenditures	2,551	370,780	(1,136,545)	(662,477)	172,888
Other financing sources (uses)					
Transfers to other funds	-	-	(55,158)	(69,284)	(73,074)
Installment purchase obligations	-	245,257	884,208	122,225	524,094
Total other financing sources (uses)	-	245,257	829,050	52,941	451,020
Net change in fund balances	$ 2,551	$ 616,037	$ (307,495)	$ (609,536)	$ 623,908
Ratio of debt service expenditures to total non-capital expenditures	0.37%	0.61%	1.95%	1.40%	0.76%

Year Ended June 30	2008	2009	2010	2011	2012
Revenues					
State of North Carolina	$ 28,986,095	$ 29,182,163	$ 26,205,691	$ 25,267,759	$ 25,028,311
Montgomery County	6,513,864	6,827,483	5,627,501	5,000,606	4,803,174
U.S. Government	3,541,046	3,708,444	6,566,412	4,780,559	4,046,162
Other	1,921,427	1,966,686	2,809,563	2,809,688	2,475,096
Total revenues	40,962,432	41,684,776	41,209,167	37,858,612	36,352,743
Expenditures					
Instructional services	32,907,671	33,261,224	32,451,417	29,592,973	29,315,871
System-wide support services	7,277,894	7,035,919	7,372,145	6,361,283	6,706,894
Ancillary services	1,628	23	69,603	3,626	-
Non-programmed charges	47,820	87,214	244,687	119,471	96,574
Debt service	218,732	196,922	41,812	20,247	-
Capital outlay	376,976	771,461	235,287	157,350	3,750
Total expenditures	40,830,721	41,352,763	40,414,951	36,254,950	36,123,089
Revenues over (under) expenditures	131,711	332,013	794,216	1,603,662	229,654
Other financing sources (uses)					
Transfers to other funds	(96,130)	(177,819)	(144,767)	(81,718)	(83,365)
Installment purchase obligations	-	-	-	-	-
Total other financing sources (uses)	(96,130)	(177,819)	(144,767)	(81,718)	(83,365)
Net change in fund balances	$ 35,581	$ 154,194	$ 649,449	$ 1,521,944	$ 146,289
Ratio of debt service expenditures to total non-capital expenditures	0.54%	0.49%	0.10%	0.06%	-

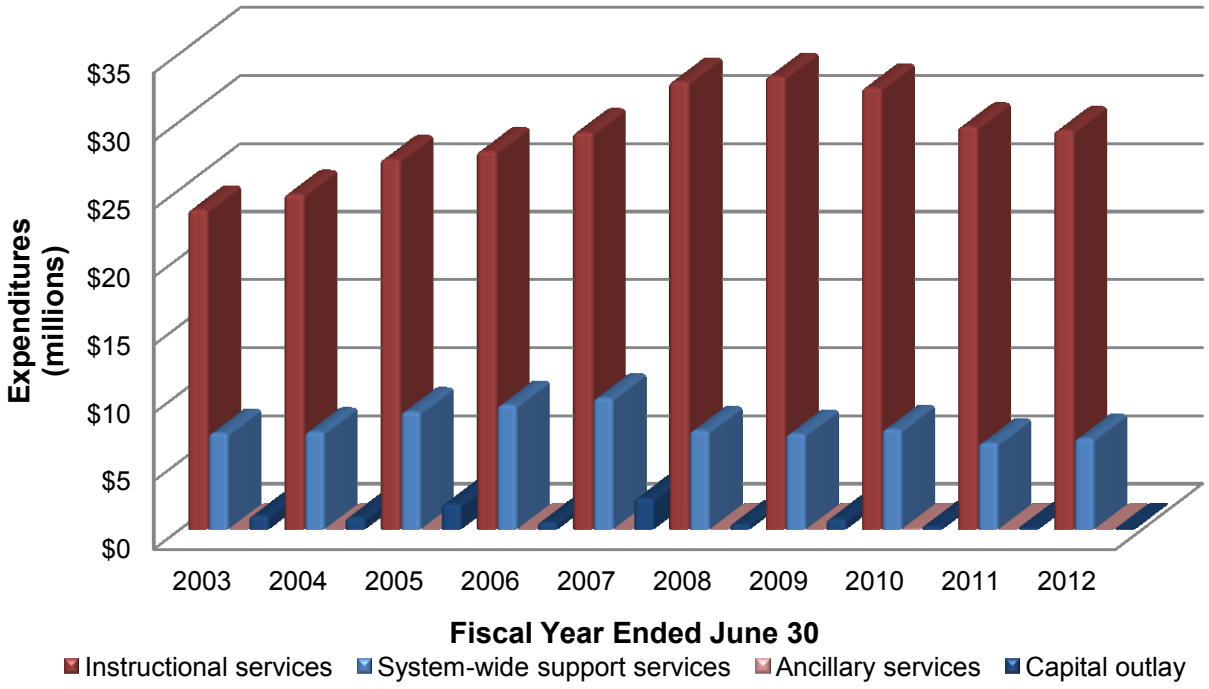
Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2012

Note: Expenditures for 2007 and before are not comparable to 2008 (and after) expenditures due to a change in the Uniform Chart of Accounts required to be used by all Local Education Agencies in North Carolina.

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	2003	2004	2005	2006	2007
Average Daily Membership	4,394	4,423	4,459	4,477	4,460
Instructional	$ 5,348	$ 5,571	$ 6,100	$ 6,207	$ 6,539
System-wide support	1,614	1,624	1,943	2,045	2,168
Ancillary	-	-	-	-	-
Total expenditures per pupil	$ 6,962	$ 7,195	$ 8,043	$ 8,252	$ 8,707

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Average Daily Membership	4,426	4,330	4,221	4,104	4,137
Instructional	$ 7,435	$ 7,682	$ 7,688	$ 7,211	$ 7,086
System-wide support	1,644	1,625	1,747	1,550	1,621
Ancillary	-	-	16	1	-
Total expenditures per pupil	$ 9,079	$ 9,307	$ 9,451	$ 8,762	$ 8,707

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2003	2004	2005	2006	2007
Instructional	$ 2,911	$ 2,937	$ 3,136	$ 3,059	$ 3,138
System-wide support	879	856	999	1,008	1,041
Ancillary	-	-	-	-	-
Total expenditures per pupil	$ 3,790	$ 3,793	$ 4,135	$ 4,067	$ 4,179

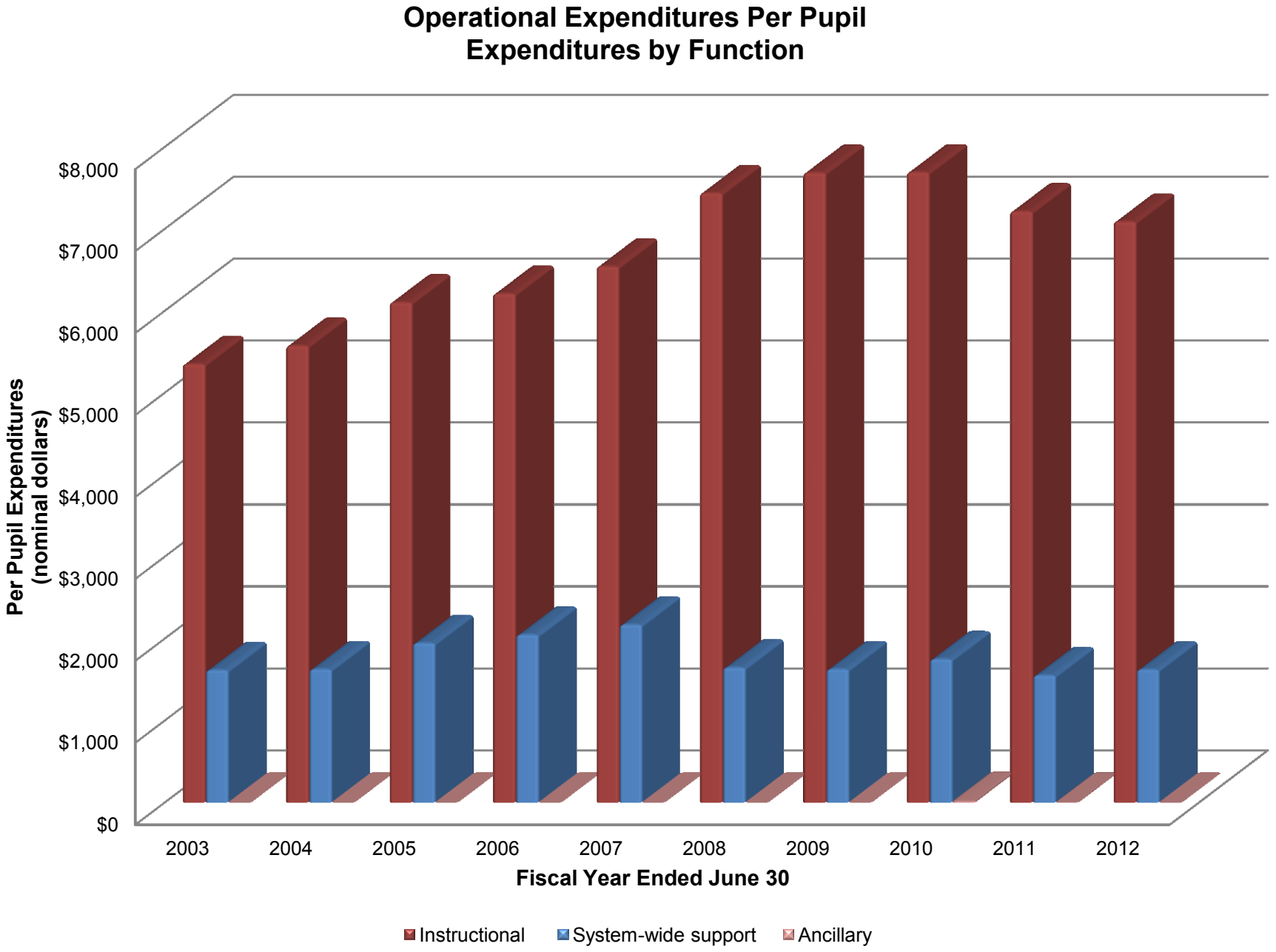
EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Instructional	$ 3,398	$ 3,562	$ 3,527	$ 3,195	$ 3,088
System-wide support	751	753	802	687	706
Ancillary	-	-	7	-	-
Total expenditures per pupil	$ 4,149	$ 4,315	$ 4,336	$ 3,882	$ 3,794

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2012.
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).

Note: Expenditures for 2007 and before are not comparable to 2008 (and after) expenditures due to a change in the Uniform Chart of Accounts required to be used by all Local Education Agencies in North Carolina.


Operational Expenditures Per Pupil
Expenditures by Function
Per Pupil Expenditures
(nominal dollars)
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Fiscal Year Ended June 30
Instructional
System-wide support
Ancillary

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	2003	2004	2005	2006	2007
Food sales	$ 815,415	$ 807,097	$ 858,734	$ 774,780	$ 892,578
Federal reimbursements	1,258,330	1,393,272	1,510,661	1,570,396	1,612,265
Federal commodities	127,578	120,073	109,731	120,815	131,947
Other	141,634	174,809	144,240	126,724	112,911
Total revenues	$ 2,342,957	$ 2,495,251	$ 2,623,366	$ 2,592,715	$ 2,749,701

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Food sales	$ 874,566	$ 846,616	$ 711,791	$ 640,632	$ 621,453
Federal reimbursements	1,616,499	1,696,610	1,811,069	1,990,796	2,138,828
Federal commodities	136,604	135,743	135,775	175,301	141,435
Other	199,310	208,889	255,760	244,621	251,017
Total revenues	$ 2,826,979	$ 2,887,858	$ 2,914,395	$ 3,051,350	$ 3,152,733

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2003	2004	2005	2006	2007
Food sales	$ 443,884	$ 425,460	$ 441,508	$ 381,853	$ 428,399
Federal reimbursements	684,992	734,461	776,689	773,975	773,818
Federal commodities	69,449	63,296	56,417	59,544	63,329
Other	77,101	92,150	74,159	62,456	54,192
Total revenues	$ 1,275,426	$ 1,315,367	$ 1,348,773	$ 1,277,828	$ 1,319,738

EXPRESSED IN CONSTANT DOLLARS

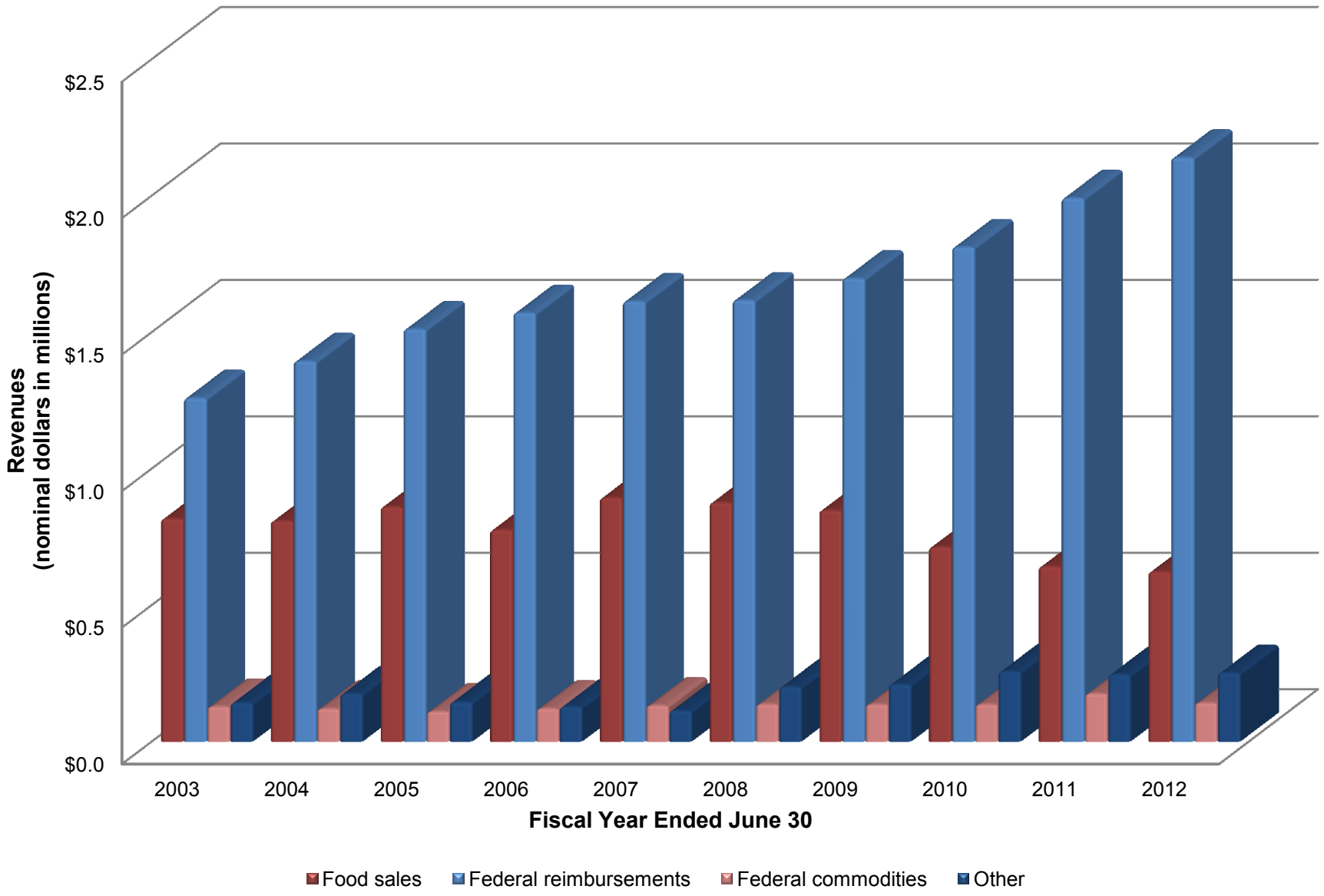
Year Ended June 30	2008	2009	2010	2011	2012
Food sales	$ 399,683	$ 392,510	$ 326,562	$ 283,815	$ 270,812
Federal reimbursements	738,751	786,586	830,899	881,968	932,041
Federal commodities	62,429	62,933	62,292	77,662	61,633
Other	91,086	96,846	117,340	108,373	109,386
Total revenues	$ 1,291,949	$ 1,338,875	$ 1,337,093	$ 1,351,818	$ 1,373,872

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2012

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	2003	2004	2005	2006	2007
Purchase of food	$ 622,269	$ 675,348	$ 754,776	$ 761,912	$ 826,206
Donated commodities	127,578	120,073	109,731	120,815	131,947
Salaries and benefits	1,286,800	1,380,336	1,379,506	1,564,833	1,575,494
Other	282,280	302,965	337,810	363,871	341,294
Total expenses	$ 2,318,927	$ 2,478,722	$ 2,581,823	$ 2,811,431	$ 2,874,941

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2008	2009	2010	2011	2012
Purchase of food	$ 910,984	$ 890,076	$ 842,075	$ 914,506	$ 1,110,686
Donated commodities	136,604	135,743	135,775	175,301	141,435
Salaries and benefits	1,601,722	1,726,444	1,585,533	1,466,704	1,436,553
Other	367,265	390,251	454,221	456,026	462,176
Total expenses	$ 3,016,575	$ 3,142,514	$ 3,017,604	$ 3,012,537	$ 3,150,850

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2003	2004	2005	2006	2007
Purchase of food	$ 338,742	$ 356,008	$ 388,060	$ 375,511	$ 396,543
Donated commodities	69,449	63,296	56,417	59,544	63,329
Salaries and benefits	700,490	727,642	709,258	771,234	756,169
Other	153,664	159,707	173,681	179,335	163,806
Total expenses	$ 1,262,345	$ 1,306,653	$ 1,327,416	$ 1,385,624	$ 1,379,847

EXPRESSED IN CONSTANT DOLLARS

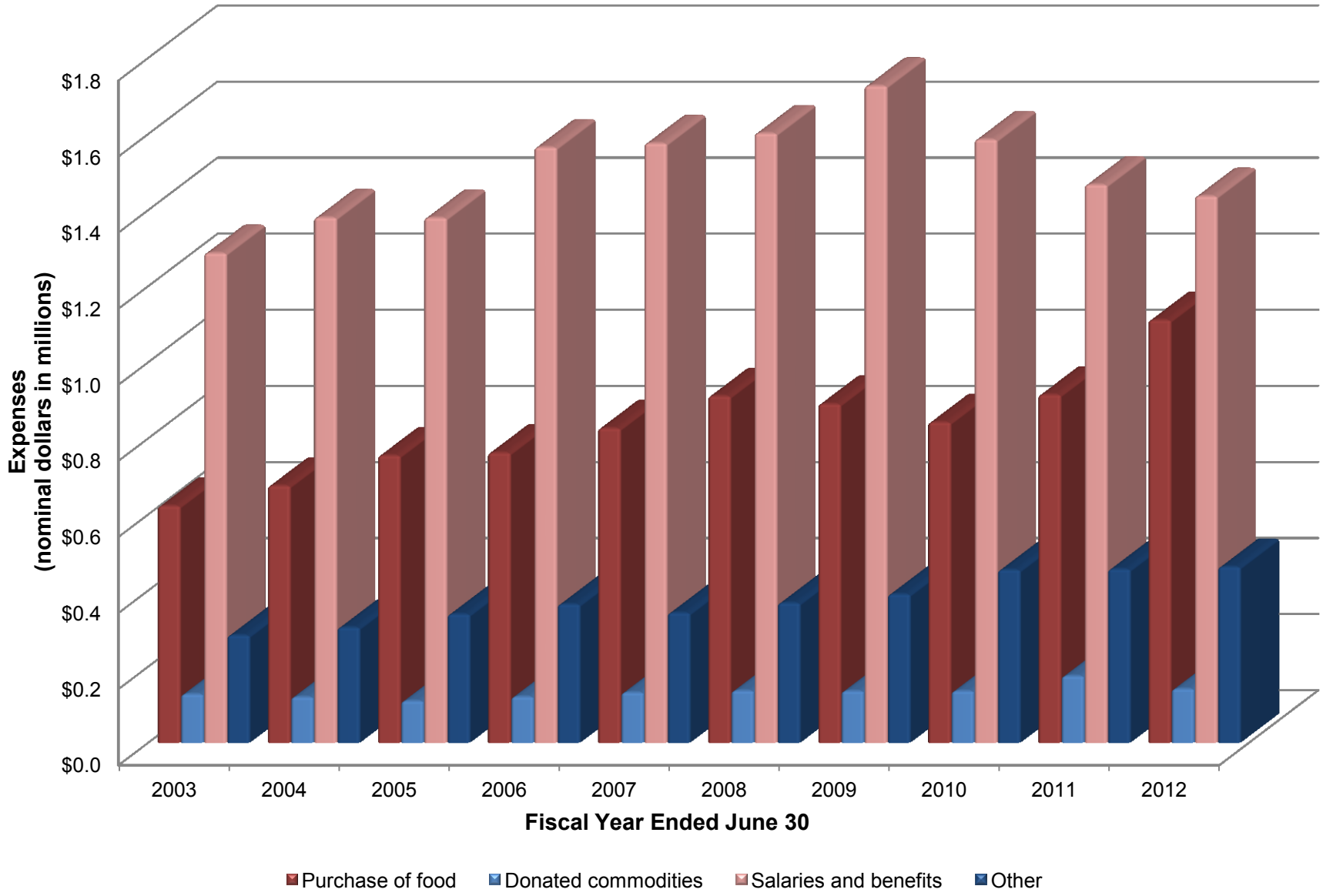
Year Ended June 30	2008	2009	2010	2011	2012
Purchase of food	$ 416,326	$ 412,659	$ 386,335	$ 405,147	$ 484,005
Donated commodities	62,429	62,933	62,292	77,662	61,633
Salaries and benefits	731,998	800,417	727,426	649,783	626,009
Other	167,843	180,929	208,392	202,030	201,403
Total expenses	$ 1,378,596	$ 1,456,938	$ 1,384,445	$ 1,334,622	$ 1,373,050

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2012

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
2012	$ -	$ -	N/A	N/A
2011	-	-	N/A	$ -
2010	19,099	19,099	0.003%	1
2009	57,957	57,957	0.008%	2
2008	249,354	249,354	0.034%	9
2007	460,159	460,159	0.064%	17
2006	220,512	220,512	0.031%	8
2005	604,151	604,151	0.087%	22
2004	412,058	412,058	0.062%	15
2003	347,217	347,217	0.057%	13

N/A = Not available

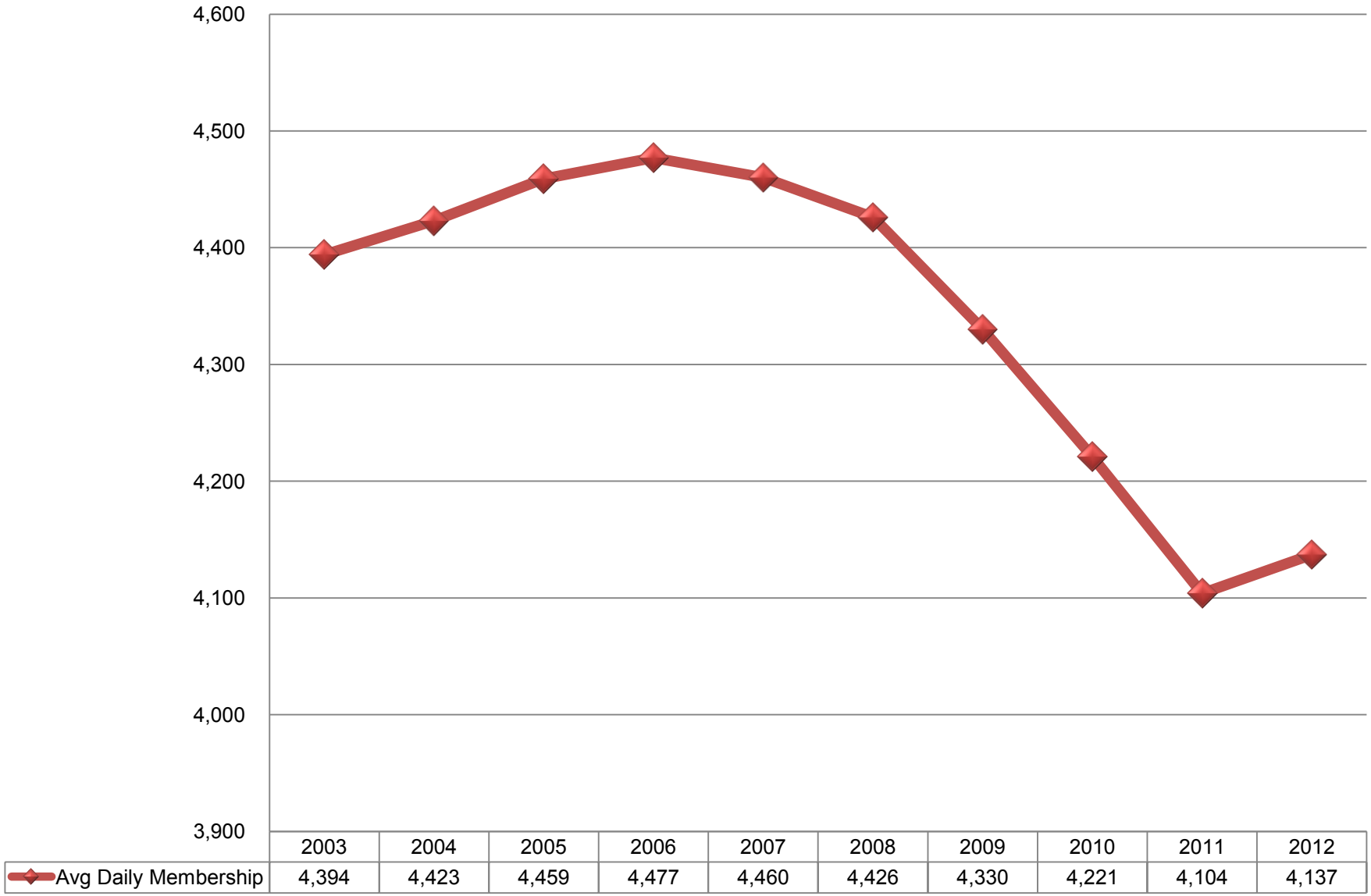
Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2012

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, 2012 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2013, 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, 2011 and June 30, 2012 income based information will be shown above as "N/A", and the June 30, 2011 information will be reported for the year ended June 30, 2013, if applicable.

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



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Avg Daily Membership	4,394	4,423	4,459	4,477	4,460	4,426	4,330	4,221	4,104	4,137

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]
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%
2008	344	4,426	1/13	95.35%	67.50%
2007	344	4,460	1/13	95.00%	65.50%
2006	321	4,477	1/14	95.40%	66.67%
2005	321	4,459	1/14	95.67%	60.60%
2004	327	4,423	1/14	95.61%	61.50%
2003	311	4,394	1/14	95.97%	59.60%

MONTGOMERY COUNTY BOARD OF EDUCATION

Student Statistics (continued)

Last Ten Fiscal Years

Year Ended June 30	Ethnic Distribution Percentage[3]					Graduates[4]	Percentage of Graduates Continuing Education[4]
	White	Black	Asian	Hispanic	Other		
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%
2008	47%	26%	2%	25%	-	263	78%
2007	47%	26%	3%	24%	-	261	79%
2006	48%	27%	3%	22%	-	246	80%
2005	49%	27%	3%	21%	-	257	76%
2004	50%	28%	3%	19%	-	235	76%
2003	51%	29%	3%	17%	-	250	70%

Sources:

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

(2) Montgomery County Board of Education Student Data

(3) North Carolina Public Schools Statistical Profile (2003-2012 Editions).

(4) North Carolina Public Schools Statistical Profile (2003-2010 Editions). Information for 2011 and 2012 obtained from Montgomery County Board of Education Student Data

MONTGOMERY COUNTY BOARD OF EDUCATION

Full-time Equivalent Governmental Employees by Function/Program

Last Ten Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Officials, admins, mgrs	11	12	10	13	8	8	10	9	9	9
Principals	10	9	10	10	10	10	10	10	11	11
Asst. Principals, non-teaching	5	6	6	6	6	6	6	6	5	4
Total administrators	26	27	26	29	24	24	26	25	25	24
Elementary teachers	184	178	179	234	241	241	236	226	220	203
Secondary teachers	85	82	75	87	101	101	102	94	94	93
Other teachers	42	67	67	-	2	2	-	-	-	-
Total teachers	311	327	321	321	344	344	338	320	314	296
Guidance	10	11	11	11	11	11	12	11	11	12
Psychological	1	1	1	1	-	-	-	-	-	1
Librarian, audiovisual	9	9	9	9	9	9	10	10	10	10
Consultant, supervisor	-	-	-	-	10	10	6	7	5	3
Other professionals	14	11	28	29	14	14	14	12	12	14
Total professionals	371	386	396	400	412	412	406	385	377	360
Teacher Assistants	136	131	125	146	148	148	132	111	106	96
Technicians	1	1	1	2	11	11	12	12	13	13
Clerical, secretarial	45	43	43	47	47	47	42	43	44	46
Service workers	88	97	110	101	88	88	91	97	84	77
Skilled crafts	10	-	-	-	20	20	21	16	13	15
Total employees	651	658	675	696	726	726	704	664	637	607

Source: North Carolina Public Schools Statistical Profile (2003-2012 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]
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
2008	29,750	64,160	41,000	239	75	4	1
2007	28,510	61,380	39,470	240	108	6	5
2006	26,260	57,400	36,446	261	93	6	2
2005	25,420	56,280	35,979	246	87	6	2
2004	25,250	55,910	33,935	224	91	6	3
2003	25,250	55,910	33,676	238	82	5	6

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 (2003-2012 Editions).

Note: Degree information for 2007 and before are not comparable to 2008 (and after) degree information due to a change in the reporting of degrees awarded. Degrees awarded for 2007 and before were reported based on all instructional personnel, while for 2008 and after they are reported based on classroom teachers only.

MONTGOMERY COUNTY BOARD OF EDUCATION

School Building Data

June 30, 2012

Site	Year Built	Capacity	Current Membership	Over/(Under) Capacity	Condition
Candor Elementary	1979	553	328	-41%	Good
Green Ridge Elementary	2008	700	472	-33%	Excellent
Mount Gilead Elementary	1979	476	334	-30%	Good
Page Street Elementary	2002	401	300	-25%	Good
Star Elementary	1983	444	275	-38%	Good
Troy Elementary	1979	419	237	-43%	Good
East Middle	1990	478	524	10%	Good
West Middle	1990	644	497	-23%	Good
Montgomery Learning Academy	1965	100	55	-45%	Fair
East Montgomery High	1960	665	569	-14%	Fair
West Montgomery High	1960	825	546	-34%	Fair

Source: Montgomery County Board of Education N. C. Public Schools Facility Needs Report; 2012

MONTGOMERY COUNTY, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007
Population estimate (1)	27,225	27,051	27,102	27,262	27,464
Personal income (2)	$605,694,000	$669,900,000	$697,152,000	$704,809,000	$718,262,000
Per capita income (2)	$22,248	$24,764	$25,723	$25,853	$26,153
Median age (3)	37.02	37.06	37.12	37.21	37.38
School enrollment (4)	4,394	4,423	4,459	4,477	4,460
Unemployment rate (5)	9.6%	7.4%	7.5%	7.1%	6.1%
Year Ended June 30	**2008**	**2009**	**2010**	**2011**	**2012**
Population estimate (1)	27,707	27,745	27,798	27,667	N/A
Personal income (2)	$731,072,000	$731,779,000	$756,549,000	N/A	N/A
Per capita income (2)	$26,386	$26,375	$27,216	N/A	N/A
Median age (3)	37.59	37.86	38.01	38.93	39.05
School enrollment (4)	4,426	4,330	4,221	4,104	4,137
Unemployment rate (5)	8.1%	13.3%	12.5%	12.6%	12.5%

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, 2012 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2013, 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, 2011 and June 30, 2012 income based information will be shown above as "N/A", and the June 30, 2011 information will be reported for the year ended June 30, 2013, if applicable.

MONTGOMERY COUNTY, NORTH CAROLINA
Principal Employers
For Years Ended June 30, 2012 and 2004

	2012			2004		
Employer	**Employees [1]**	**Rank**	**Percentage of Total County Employment**	**Employees [1]**	**Rank**	**Percentage of Total County Employment**
Montgomery County Schools	625	1	6.27%	610	2	5.28%
Grede	510	2	5.12%	396	4	3.43%
Realistic Furniture, Inc.	354	3	3.55%	750	1	6.49%
Southern Correctional Center	309	4	3.10%	325	8	2.81%
Jordan Lumber & Supply, Inc.	297	5	2.98%	328	7	2.84%
Montgomery County	250	6	2.51%	-		-
First Bank	229	7	2.30%	-		-
McRae Industries	175	8	1.76%	440	3	3.81%
Capel, Inc.	166	9	1.67%	356	6	3.08%
Wal-Mart	186	10	1.87%	-		-
Clayson Knitting Co.	-		-	314	9	2.72%
Candor Hosiery	-		-	380	5	3.29%
FirstHealth Montgomery Memorial Hospital	-		-	285	10	2.47%
	3,101		31.13%	4,184		36.22%
Total County Employment [2]	9,966			11,554		

Sources:
(1) Montgomery County Chamber of Commerce
(2) North Carolina Employment Security Commission

Note: This table is a ten year schedule. However, the Montgomery County Chamber of Commerce did not maintain principal employer data past the fiscal year ended June 30, 2004. Therefore, current year principal employers will be compared to the fiscal year ended June 30, 2004 for each of the fiscal years ended through June 30, 2013.

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
2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2011	312,309	824,259	23,110,000	4,793,212	6,014,500	35,054,280	N/A	$ 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
2008	825,136	1,280,008	26,465,220	3,809,898	6,479,280	38,859,542	5.32%	1,403
2007	268,686	1,417,470	17,128,820	69,286	6,746,179	25,630,441	3.57%	933
2006	159,611	1,548,283	2,018,108	102,000	7,008,376	10,836,378	1.54%	397
2005	407,935	1,672,768	2,713,354	-	7,270,146	12,064,203	1.73%	445
2004	522,885	1,791,232	3,432,437	-	7,535,062	13,281,616	1.98%	491
2003	688,073	1,903,966	4,155,493	-	7,797,506	14,545,038	2.40%	534

N/A = Not Available

Source: Montgomery County, North Carolina, Annual Financial Report for the year ended June 30, 2011.

Note: This table is a ten year schedule. However, annual financial reports for the years ended June 30, 2003, and June 30, 2012 could not be obtained from Montgomery County nor their auditors prior to this report being issued. Data for the year ended June 30, 2003 was obtained from beginning balances per the annual financial report for the year ended June 30, 2004. 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, 2012 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2013, 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, 2011 and June 30, 2012 income based information will be shown above as "N/A", and the June 30, 2011 information will be reported for the year ended June 30, 2013, if applicable.

MONTGOMERY COUNTY, NORTH CAROLINA
Principal Property Taxpayers
December 31, 2011 and December 31, 2002

		2011			2002		
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.	Manufacturing	$ 69,930,212	1	3.00%	$ 40,506,343	2	2.46%
Jordan Lumber & Supply, Inc.	Manufacturing	39,355,098	2	1.69%	29,405,626	3	1.78%
Unilin W.S. MDF	Manufacturing	33,865,860	3	1.45%	-		-
Tillery Tradition, Inc.	Real Estate Dev.	16,900,906	4	0.72%	10,258,029	8	0.62%
Mountaire Farms, Inc.	Manufacturing	15,575,456	5	0.67%	11,809,692	7	0.72%
Troy Lumber Co. - Lumber Div.	Manufacturing	13,138,849	6	0.56%	11,853,613	6	0.72%
Grede Machining, LLC	Manufacturing	11,774,839	7	0.50%	-		-
Old North State Acquisition	Real Estate Dev.	9,090,100	8	0.39%	24,459,165	4	1.48%
KEI Acquisition Corp.	Real Estate Dev.	7,124,400	9	0.31%	-		-
Blystone, John B. & Julia A.	N/A	7,003,261	10	0.30%	-		-
Homanit USA, Inc.	Manufacturing	-		-	56,412,902	1	3.42%
Renfro FL, Inc.	Manufacturing	-		-	11,972,190	5	0.73%
Springs Mill, Inc.	Manufacturing	-		-	9,384,195	9	0.57%
Foundry Service, Inc.	Manufacturing	-		-	7,812,433	10	0.47%
		$ 223,758,981		9.59%	$ 213,874,188		12.97%
Total Assessed Valuation		$ 2,332,760,032			$ 1,648,737,188		

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
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%
2008	13,029,914	12,575,545	96.51%
2007	12,667,836	12,266,902	96.84%
2006	12,270,030	11,870,344	96.74%
2005	11,970,752	11,588,089	96.80%
2004	10,144,428	9,739,936	96.01%
2003	N/A	N/A	N/A

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections
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
2008	5,954,763	5,747,113
2007	6,080,017	5,887,585
2006	6,047,329	5,850,342
2005	6,154,628	5,957,886
2004	5,347,616	5,134,389
2003	N/A	N/A

N/A = Not Available

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).

Note: This table is a ten year schedule. However, the annual financial report for the years ended June 30, 2003 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.

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