Montgomery County Board of Education
Troy, North Carolina

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2010

Prepared by
Kathy Johnson
and the
Finance Department


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

MONTGOMERY COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

INTRODUCTORY SECTION

	Letter of Transmittal	i
	Board Members and Principal Officers	vi
	Organizational Chart	vii

FINANCIAL SECTION

Exhibit		Page No.
	Independent Auditors' Report	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Assets	10
2	Statement of Activities	11
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds	15
7	Statement of Net Assets - Proprietary Fund Type	18
8	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund Type	19
9	Statement of Cash Flows - Proprietary Fund Type	20
	Notes to the Financial Statements	22
	Individual Fund Schedules:	
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	36
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Capital Outlay Fund	38
	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Individual Schools Fund	39
	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund	40

STATISTICAL SECTION

Table		Page No.
1	Financial Perspective for Governmental and Business-type Activities	43
2	Net Assets by Component	44
3	Changes in Net Assets	46
4	Governmental Funds – Fund Balances	48
5	Governmental Funds – Changes in Fund Balances	50
6	Operational Expenditures Per Pupil – Expenditures by Function	52
7	Proprietary Fund – Food Services Operations – Revenues by Source	54
8	Proprietary Fund – Food Services Operations – Expenses by Category	56
9	Ratios of Outstanding Debt by Type	58
10	Average Daily Membership	59
11	Student Statistics	60
12	Full-time Equivalent Governmental Employees by Function/Program	62
13	Instructional Personnel	63
14	School Building Data	64
	Montgomery County, North Carolina	
15	Demographic Statistics	65
16	Principal Employers	66
17	Ratios of Outstanding Debt by Type	67
18	Principal Property Taxpayers	68
19	Property Tax Levies and Current Collections	69

Montgomery County Schools

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November 18, 2010

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, 2010, is herewith submitted. Responsibility for accuracy, completeness, and clarity of the report rests with the Superintendent and Finance 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.

The report consists of three sections: Introductory, Financial and Statistical. The Introductory Section, of which the transmittal letter is a part, includes a list of Board members, principal officials, and the organizational chart. The Financial Section includes the independent auditors' report, notes to the financial statements and the individual fund schedules arranged by fund type. It also includes management's discussion and analysis (MD&A) of the Boards financial performance. To gain a better understanding of the Montgomery County Board of Education's financial performance, readers of this report should reference the introduction, overview and analysis found in the MD&A in the Financial Section of this report starting on page three. The Statistical Section includes several tables of unaudited data providing financial history of the Board, as well as demographics and other informative reports.

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 2009-2010 fiscal year, the school system served approximately 4,200 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.

THE FUTURE 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 two 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 have decreased the local county appropriation by a total of $1.5 million. As a result of the decrease in county funding, the Board of Education 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.

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 2009-2010. Some of these accomplishments include:

- Montgomery County Schools continued to demonstrate improvement in performances in the state-testing program. Out of 11 schools tested, one (1) school achieved the "School of Distinction" status. Three (3) of the 11 schools met high growth standards. Six (6) of the 11 met growth. Overall, the district received high growth.

- Some of the schools (27.2%) met the 100 percent standard of AYP. Forty-five percent of the schools met more than 90% of AYP goals.

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- Two years ago white students scored 31.4 percentage points higher on average than black students. For 2009-2010, the gap was 26.7 percentage points.

- 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.

- 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 considered to be continuing contracts and are transferred at the end of the fiscal year to appropriations in future years.

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.

RISK MANAGEMENT

The Board carries various forms of insurance including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and blanket finance and forgery bonds. Inspections of school buildings are made by the Division of Insurance on an annual basis as part of an effort to identify potential risks that may be present.

FUND CODES

A fund is an independent fiscal and accounting entity consisting of cash and other resources. These funds, together with all related liabilities, obligations, reserves and equities are segregated by appropriate accounting techniques for the purpose of carrying on specific activities or attaining certain objectives in accordance with established legal regulations, restrictions, or limitations. The Chart of Accounts uses five funds, which we believe are appropriate for use by a local school administrative unit; however, other funds may be added as required.

1. **State Public School Fund** – Appropriations for the current operating expenses of the public school system from monies made available to the local school administrative unit by the Department of Public Instruction.

2. **Local Fund** – Appropriations for the current operating expenses of the local school administrative unit other than appropriations included in the State Public School Fund and the Federal Grant Fund. This shall include, but not be limited to, revenues from fines and forfeitures, county appropriations for current expenses and appropriated fund balances (revenues accruing to a school administrative unit in prior years but not yet expended).

3. **Federal Grant Fund** – Appropriations for the expenditure of federal categorical grants made available through the Department of Public Instruction and other federal grants allocated directly to the local school administrative units.

4. **Capital Outlay Fund** – Appropriations for:

   (a) The acquisition of real property for school functions including but not limited to school sites, athletic fields, garages and administrative offices;
   (b) The acquisition, construction, enlargement, renovation or replacement of buildings and other structures, including but not limited to buildings for classrooms and laboratories, career and technical education purposes, media centers, auditoriums, gymnasiums, administrative offices and storage;
   (c) The acquisition or replacement of instructional apparatus, furniture and furnishings, computers and related processing equipment, business machines and similar items of furnishings and equipment;
   (d) The acquisition of school buses as additions to the fleet;
   (e) The acquisition of activity buses and other motor vehicles;
   (f) Such other objects of expenditures as may be assigned to the Capital Outlay Fund by the uniform budget format. The cost of acquiring or constructing a new building, enlarging or renovation of an existing building, shall include the cost of all plants, works, appurtenances, structures, facilities, furnishings, machinery and equipment necessary or useful in connection therewith; financing charges; the cost of plans, specifications, studies, reports, and surveys; legal expenses; and all other costs necessary or incidental to the construction, enlargement or renovation.

5. **Child Nutrition Fund** – All revenues and expenditures related to the Child Nutrition food service operations are received and expended through this fund.

GENERAL FUND EQUITY

Of the $2.5 million of fund balance in the General Fund at June 30, 2010, $33,000 is reserved by State Statute for accounts receivable and amounts due from other governmental units. An additional $2.3 million is designated for subsequent year's expenditures.

CASH MANAGEMENT

In accordance with the General Statutes of the State of North Carolina, cash is remitted to the Board by the Board of County Commissioners for revenues from taxes levied on behalf of the school unit and for fines and forfeitures designated for the school unit. These amounts are paid to the Board in monthly installments and all amounts are required to be paid prior to fiscal year end.

On June 30, 2010, Montgomery County School's cash balance was approximately $3.8 million in cash and investments. All funds are protected against loss through FDIC and stringent collateral requirements. Outstanding debts are paid in a timely manner and no problems have been encountered in the collection of receivables. The Board uses a pooled cash concept to maximize funds available for investment. Idle cash from the General Fund, Capital Projects Fund, and School Food Service Fund are invested in instruments according to State law. Funds from the State Public School Fund and the Federal Grants Fund are not available to the Board until vouchers are drawn against the State Treasury. Therefore,

these funds are not available for investment. The major emphasis of investments is to minimize risks and maximize interest income. Interest earnings for the year totaled $33,000 for 2009-2010 compared with $30,000 for 2008-2009.

SERVICE EFFORTS AND ACCOMPLISHMENTS

In addition to instructional accomplishments noted under major initiatives, substantial technological gains have been made at both the school and administrative levels. The Board is committed to continually improving the Wide Area Network that enables internet access, e-mail and on-line communications. Alert Now is a web-based mass communications system that provides emergency communication, survey, and community outreach notification tools as well as automated attendance notification. Functions such as accounting, purchasing, payroll and benefits have been streamlined utilizing online transmission, scanning and reconciliation techniques.

MAJOR FINANCIAL CONCERNS

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.

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.

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
Director of Finance

Montgomery County Board of Education
Troy, North Carolina

July 1, 2009 - June 30, 2010

Board Members

Steven DeBerry, *Chairman*
James Spivey, *Vice Chairman*

Almetta Armstrong
Tommy Blake
Frances Reaves
Ann Long
Shirley Threadgill

Principal Officers

Dr. Donna Cox Peters, *Superintendent*
Sue Hatley, *Assistant Superintendent*

MONTGOMERY COUNTY SCHOOL S ADMINISTRATIVE ORGANIZATION CHART

AUGUST 2010

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

Superintendent
Dr. Dale Ellis
Administrative Assistant
Carol Hardee

Public Information Officer
Lindsay Whitley

Assistant Superintendent
Sue Hatley
Curriculum and Instruction
Federal and State Programs
Professional Development
Textbooks

Administrative Assistant
Shirley Harris
Interpreter
Shoua Ly
Federal Program Administrative Assistant
Susan Muse

Principals
David Cassady
Charles DelForge
Joan Frye
Terry Jordan
Donna Kennedy
Beth Lancaster
Donnie Lynthacum
Derek McCoy
Anne McLean
Vance Thomas
John Ward

Executive Director of Exceptional Children & Student Services
Larry Jenkins
504
Homebound
School Psychologists
Homeless
Safe and Drug Free Schools
Discipline Data
School Crime and Violence

Administrative Assistant
Karen Moore

Executive Director of Finance
Kathy Johnson

Assist Finance Officer
Donna Maness
Benefits Representative
Lisa Ritter
Accounts Payable
Donna Morris
Federal
Lourdes Yarbrough

Executive Director of Personnel and Auxiliary Services
Kevin Lancaster
Athletics
Policies
Driver's Education
Title II/Title IX
Student Assignments/Transfers
Appeals
SRO's

Administrative Assistants
Susan Fox
Felicia Ward
Aux Services Admin Assist
Susan Muse

Graduation Coach
Ed Caldwell
Dropout Prevention

Director of CTE/Vocational Ed
Graham Fox
Huskins
Text Books

AIG Coordinator
Beth Blake
AIG
Distance Learning
Assistant
Adrian Davisr

Instructional Advisors
Karen Binns
Troy Kryzalkc
Deidra Steed

Family Engagement
Lindsay Whitley

Director of Community & Business Partnership
Erie Greene
Mentors/Volunteers
Communities in Schools
Closing the Gap
Character Education

Director of Testing & Accountability
Ben Grindstaff
SES/Choice

Director of Technology
Janice Harless
21st Century Plans
Title II
Compliance
Data Manager
NC Wise Coordinator
Kristy Buchman
Technicians
David Kellis
Matt DeBerry

Social Workers
Alicia Beard
Laura White

Nurses
Brenda DeBerry
Teresa Caudill
TBD
Susan Harter

Transition Specialist
Terry Little

Compliance Specialist
Karen Dozier

Director of Transportation
Greg Johnson
Transportation Specialist
Fannie Cagle
TIMS Operator
Mary Jo Mingin

ILT/National Board Support Coordinator
TBD

Director of Child Nutrition
Frank Fiorella
Administrative Assistant
Andrea Voncannon

Director of Maintenance
Bill Mingin
Construction
Facilities
Maintenance
Administrative Assistant
Joyce Watson

Energy Specialist
Nelson Furr
*Contracted


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

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, 2010, 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, 2010, 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 24, 2010 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Montgomery County Board of Education, North Carolina. The introductory section, the individual fund budgetary schedules and other 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 fund budgetary schedules and other 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 24, 2010
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, 2010. 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 received additional Federal funding through the American Recovery and Reinvestment Act (ARRA) for the 2009-10 fiscal year which helped to partially offset these local and State funding reductions.

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

Overview of the Financial Statements

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

- *Independent Auditors' Report*

- *Management's Discussion and Analysis (required supplementary information)*

- *Basic Financial Statements*

- *Required supplemental section that presents budgetary statements for nonmajor governmental funds and budgetary statements for 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 th*e Fund Financial Statements,* which are presented for the Board's governmental funds and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting.

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

Government-wide Statements

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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 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 $46.6 million as of June 30, 2010 as compared to $46.8 million as of June 30, 2009, a decrease of $242,000. The largest component of net assets is invested in capital assets, net of related debt of $44.9 million, which comprises 96.5% of the total net assets.

Following is a summary of the Statement of Net Assets at June 30, 2010 and 2009:

Table 1
Condensed Statement of Net Assets
As of June 30, 2010 and 2009

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Current assets	$ 3,871,131	$ 3,037,849	$ 283,567	$ 186,409	$ 4,154,698	$ 3,224,258
Capital assets	44,540,618	45,885,783	420,707	445,417	44,961,325	46,331,200
Total assets	48,411,749	48,923,632	704,274	631,826	49,116,023	49,555,458
Current liabilities	1,446,689	2,045,120	41,888	62,997	1,488,577	2,108,117
Long-term liabilities	1,049,136	636,559	23,309	13,823	1,072,445	650,382
Total liabilities	2,495,825	2,681,679	65,197	76,820	2,561,022	2,758,499
Invested in capital assets, net of related debt	44,521,519	45,827,826	420,707	445,417	44,942,226	46,273,243
Restricted net assets	361,759	321,480	-	-	361,759	321,480
Unrestricted net assets	1,032,646	92,647	218,370	109,589	1,251,016	202,236
Total net assets	$ 45,915,924	$ 46,241,953	$ 639,077	$ 555,006	$ 46,555,001	$ 46,796,959

The net assets of the Board's governmental activities decreased $326,000 during the year, from $46.2 million at June 30, 2009 to $45.9 million at June 30, 2010, indicating a decline in the financial condition of the Board. Unrestricted net assets increased $940,000 over the prior year due primarily to an increase in cash and cash equivalents in the Board's General Fund. Invested in capital assets, net of related debt 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 $84,000 from $555,000 at June 30, 2009 to $639,000 at June 30, 2010. This increase of $84,000 is the net profit generated by our school food service operations during the 2010 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, 2010 and 2009

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Revenues:						
Program revenues:						
Charges for services	$ 1,057,212	$ 891,050	$ 711,791	$ 846,616	$ 1,769,003	$ 1,737,666
Operating grants and contributions	32,160,088	31,544,450	1,952,400	2,040,734	34,112,488	33,585,184
Capital grants and contributions	194,711	16,038,728	42,513	223,468	237,224	16,262,196
General revenues:						
Other revenues	7,747,180	8,927,687	289	508	7,747,469	8,928,195
Total revenues	41,159,191	57,401,915	2,706,993	3,111,326	43,866,184	60,513,241
Expenses:						
Governmental activities:						
Instructional services	32,241,425	33,171,623	-	-	32,241,425	33,171,623
System-wide support services	7,654,533	7,842,754	-	-	7,654,533	7,842,754
Ancillary services	69,603	23	-	-	69,603	23
Non-programmed charges	-	14,353	-	-	-	14,353
Interest on long-term debt	2,954	5,525	-	-	2,954	5,525
Unallocated depreciation	1,371,938	1,255,578	-	-	1,371,938	1,255,578
Business-type activities:						
School food service	-	-	2,767,689	3,142,514	2,767,689	3,142,514
Total expenses	41,340,453	42,289,856	2,767,689	3,142,514	44,108,142	45,432,370
Transfers in (out)	(144,767)	(177,819)	144,767	177,819	-	-
Increase(decrease) in net assets	(326,029)	14,934,240	84,071	146,631	(241,958)	15,080,871
Beginning net assets	46,241,953	31,307,713	555,006	408,375	46,796,959	31,716,088
Ending net assets	$ 45,915,924	$ 46,241,953	$ 639,077	$ 555,006	$ 46,555,001	$ 46,796,959

Total governmental activities generated revenues of $41.2 million while expenses in this category totaled $41.3 million for the year ended June 30, 2010, resulting in the aforementioned decrease in net assets of $326,000 (including transfers to business-type activities of $145,000). Comparatively, revenues were $57.4 million, expenses totaled $42.3 million and transfers out were $178,000 for the year ended June 30, 2009, resulting in an increase in net assets of $14.9 million. In comparing the two years, revenues decreased $16.2 million while expenses decreased by $949,000. The decrease in revenues is primarily due to a decrease of $15.8 million in capital grants and contributions received in the 2009 fiscal year.

Those revenues were from the County for construction of a new elementary school. The decline in expenses was primarily in instructional and system-wide support services. These expenses decreased as a direct result of a $2.2 million decrease in funding from the State Public School Fund.

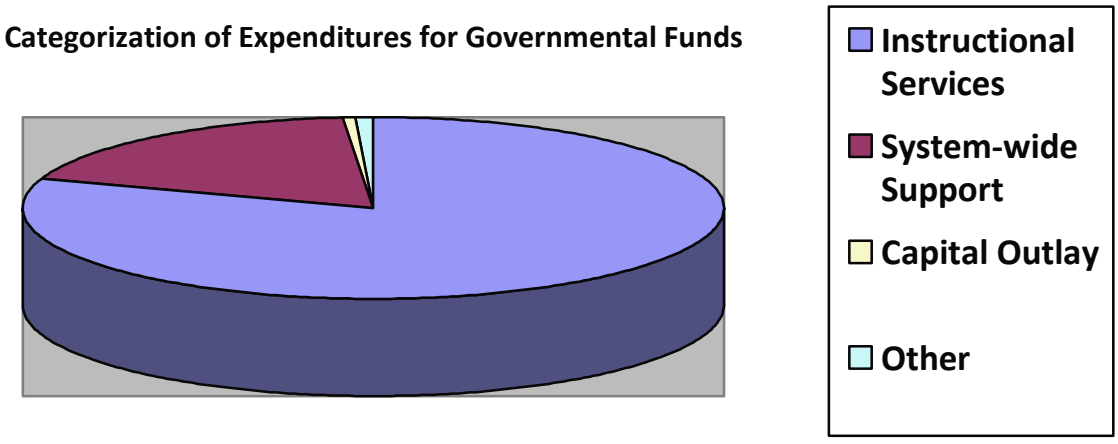
The Board's primary sources of revenues were funding from the State of North Carolina, Montgomery County, and the United States Government, which respectively comprised 63.6%, 13.7% and 15.9% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 78.0% of our total expenditures during the most recent fiscal year. Of the remaining 22.0% of our total expenditures, 18.5% was attributable to system-wide support services.

Our business-type activities generated revenues of $2.7 million, while expenses in this category totaled $2.8 million for the year ended June 30, 2010. For the year, net assets increased by $84,000 (including transfers in of $145,000). Comparatively, revenues and expenses were each $3.1 million for the year ended June 30, 2009, resulting in an increase in net assets of $147,000 (including transfers in of $178,000). In comparing the two years, the year-over-year decline in profitability of $63,000 is primarily attributable to the following two factors: (1) Revenue from federal reimbursements for free and reduced meal claims increased by $115,000 as a result of an increase in the number of free and reduced meals served and an increase in the reimbursement rate paid to the Board. (2) Capital contributions decreased by $181,000 due to the Board purchasing fewer capital assets from non-child nutrition funds in the current year.

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 $3.4 million at June 30, 2010, an increase of $723,000 over the $2.7 million reported at June 30, 2009. The Board's General and Individual Schools funds each reported increases in fund balances for the year ended June 30, 2010 of $751,000 and $40,000, respectively, while the Capital Outlay fund reported a decrease in fund balance of $69,000 for the year. Overall, total governmental fund revenues decreased by $476,000 while total expenditures decreased by $938,000 from the prior year. The decrease in expenditures was primarily attributable to a $1.5 million decrease in regular instructional services. These cuts in regular instructional services were necessary to offset funding decreases from the County and State Public School Fund. Funding from the U.S. Government through the American Recovery and Reinvestment Act (ARRA) helped to offset a large part of these cuts at the County and State levels.



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 $84,000 for the fiscal year ended June 30, 2010 compared to an increase of $147,000 for the same 2009 period, a decline of $63,000. 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 decline.

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 decrease revenues from the original budget by $564,000 during the year. Since several revenue sources are either 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.

For the year, the Board's General Fund reported an increase in fund balance of $751,000. Revenues decreased from the prior year by $695,000 while expenditures decreased by $985,000. The revenue decrease was primarily due to a reduction in funding from the County. The Board was able to cut expenditures in the General Fund by utilizing ARRA funds that were received through the Federal Grants Fund.

Capital Assets

Total primary government capital assets were $45.0 million at June 30, 2010 compared to $46.3 million at June 30, 2009, a decline of 3.0%. More detailed information about the Board's capital assets is contained in the notes to the financial statements.

The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2010 and 2009.

Table 3
Summary of Capital Assets
As of June 30, 2010 and 2009

	Governmental Acitivities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Land	$ 568,931	$ 568,931	$ -	$ -	$ 568,931	$ 568,931
Buildings and improvements	42,949,390	44,250,149	-	-	42,949,390	44,250,149
Equipment and furniture	498,211	426,025	420,707	445,417	918,918	871,442
Vehicles	524,086	640,678	-	-	524,086	640,678
Total	$ 44,540,618	$ 45,885,783	$ 420,707	$ 445,417	$ 44,961,325	$ 46,331,200

Debt Outstanding

During the year, the Board's long-term debt decreased by $39,000 during the year, from $58,000 at June 30, 2009 to $19,000 at June 30, 2010. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in the notes to the financial statements.

Economic Factors

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

- As of June 30, 2010, Montgomery County experienced an unemployment rate of approximately 12.5% as compared to an unemployment rate of approximately 13.3% at June 30, 2009. Montgomery County's unemployment rate is above the June 30, 2010 State of N.C. and national unemployment rates of 10.2% and 9.6%, respectively.

- A growth industry in Montgomery County is travel and tourism. The western border of Montgomery County is the Yadkin/Pee Dee River. This area has developed into a recreational area that includes upscale housing, a premier golf course and a national forest. Each year it accounts for an increasingly larger proportion of the county tax base. Over one million people visit the national forest each year, and the county is exploring ways to take advantage of this traffic.

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, Finance 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 3,634,531	$ 141,915	$ 3,776,446
Due from other governments	1,996	76,119	78,115
Receivables	31,401	1,740	33,141
Inventories	203,203	63,793	266,996
Capital assets:			
Land	568,931	-	568,931
Other capital assets, net of depreciation	43,971,687	420,707	44,392,394
Total capital assets	44,540,618	420,707	44,961,325
Total assets	48,411,749	704,274	49,116,023
Liabilities			
Accounts payable and accrued expenses	297,260	-	297,260
Unearned revenue	199,436	4,629	204,065
Long-term liabilities:			
Due within one year	949,993	37,259	987,252
Due in more than one year	1,049,136	23,309	1,072,445
Total liabilities	2,495,825	65,197	2,561,022
Net assets			
Invested in capital assets, net of related debt	44,521,519	420,707	44,942,226
Restricted for:			
Individual schools activities	361,759	-	361,759
Unrestricted	1,032,646	218,370	1,251,016
Total net assets	$ 45,915,924	$ 639,077	$ 46,555,001

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, 2010

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	$ 18,342,170	$ -	$ 16,516,080	$ -	$ (1,826,090)	$ -	$ (1,826,090)
Special populations	4,325,640	-	4,454,741	-	129,101	-	129,101
Alternative programs	3,871,072	-	3,397,744	-	(473,328)	-	(473,328)
School leadership	2,136,737	-	1,812,711	-	(324,026)	-	(324,026)
Co-curricular	1,250,415	1,057,212	-	-	(193,203)	-	(193,203)
School-based support	2,315,391	-	1,987,426	-	(327,965)	-	(327,965)
System-wide support services:							
Support and development	484,267	-	269,693	-	(214,574)	-	(214,574)
Special population support and development	170,656	-	171,768	-	1,112	-	1,112
Alternative programs and services support and development	90,658	-	91,248	-	590	-	590
Technology support	385,048	-	58,735	-	(326,313)	-	(326,313)
Operational support	4,869,922	-	2,199,321	194,711	(2,475,890)	-	(2,475,890)
Financial and human resource services	939,430	-	526,179	-	(413,251)	-	(413,251)
Accountability	53,660	-	52,212	-	(1,448)	-	(1,448)
System-wide pupil support	114,469	-	-	-	(114,469)	-	(114,469)
Policy, leadership and public relations	546,423	-	326,561	-	(219,862)	-	(219,862)
Ancillary services	69,603	-	50,982	-	(18,621)	-	(18,621)
Non-programmed charges	-	-	244,687	-	244,687	-	244,687
Interest on long-term debt	2,954	-	-	-	(2,954)	-	(2,954)
Unallocated depreciation expense**	1,371,938	-	-	-	(1,371,938)	-	(1,371,938)
Total governmental activities	41,340,453	1,057,212	32,160,088	194,711	(7,928,442)	-	(7,928,442)
Business-type activities:							
School food service	2,767,689	711,791	1,952,400	42,513	-	(60,985)	(60,985)
Total primary government	$ 44,108,142	$ 1,769,003	$ 34,112,488	$ 237,224	(7,928,442)	(60,985)	(7,989,427)
		General revenues:					
		Unrestricted county appropriations - operating			5,627,501	-	5,627,501
		Unrestricted State appropriations - operating			1,301,732	-	1,301,732
		Unrestricted State appropriation - capital			189,352	-	189,352
		Investment earnings, unrestricted			32,270	289	32,559
		Miscellaneous, unrestricted			596,325	-	596,325
		Transfers			(144,767)	144,767	-
		Total general revenues			7,602,413	145,056	7,747,469
		Change in net assets			(326,029)	84,071	(241,958)
		Net assets, beginning			46,241,953	555,006	46,796,959
		Net assets - ending			$ 45,915,924	$ 639,077	$ 46,555,001

**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, 2010

	Major Funds				Non-major Fund	
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 2,568,671	$ 18,838	$ -	$ 685,263	$ 361,759	$ 3,634,531
Due from other governments	1,996	-	-	-	-	1,996
Accounts receivable	31,401	-	-	-	-	31,401
Inventories	203,203	-	-	-	-	203,203
Total assets	$ 2,805,271	$ 18,838	$ -	$ 685,263	$ 361,759	$ 3,871,131
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	$ 297,260	$ -	$ -	$ -	$ -	$ 297,260
Deferred revenue	-	18,838	-	180,598	-	199,436
Total liabilities	297,260	18,838	-	180,598	-	496,696
Fund balances:						
Reserved for:						
Inventories	203,203	-	-	-	-	203,203
State statute	33,397	-	-	-	-	33,397
Unreserved:						
Designated for subsequent year's expenditures	2,271,411	-	-	500,000	-	2,771,411
Undesignated, reported in:						
Special Revenue Funds	-	-	-	-	361,759	361,759
Capital Projects Fund	-	-	-	4,665	-	4,665
Total fund balances	2,508,011	-	-	504,665	361,759	3,374,435
Total liabilities and fund balances	$ 2,805,271	$ 18,838	$ -	$ 685,263	$ 361,759	

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.	44,540,618
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.	(1,999,129)
Net assets of governmental activities	$ 45,915,924

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, 2010

	Major Funds				Non-major Fund	
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Total Governmental Funds
Revenues:						
State of North Carolina	$ -	$ 26,016,339	$ -	$ 189,352	$ -	$ 26,205,691
Montgomery County	5,627,501	-	-	-	-	5,627,501
U.S. Government	121,336	-	6,445,076	-	-	6,566,412
Other	1,750,823	-	-	1,528	1,057,212	2,809,563
Total revenues	7,499,660	26,016,339	6,445,076	190,880	1,057,212	41,209,167
Expenditures:						
Current:						
Instructional services:						
Regular instructional	1,273,029	15,154,151	2,034,455	-	-	18,461,635
Special populations	1,636	2,935,706	1,416,471	-	-	4,353,813
Alternative programs	860,332	969,254	2,066,699	-	-	3,896,285
School leadership	314,704	1,835,950	-	-	-	2,150,654
Co-curricular	241,626	-	-	-	1,016,933	1,258,559
School-based support	253,785	1,739,319	337,367	-	-	2,330,471
System-wide support services:						
Support and development	217,728	131,992	137,701	-	-	487,421
Special population support and development	-	135,008	36,760	-	-	171,768
Alternative programs and services support and development	-	-	91,248	-	-	91,248
Technology support	328,821	58,297	438	-	-	387,556
Operational support	2,369,595	2,115,050	11,144	-	-	4,495,789
Financial and human resource services	468,779	522,307	3,872	24,199	-	1,019,157
Accountability	1,797	52,212	-	-	-	54,009
System-wide pupil support	115,215	-	-	-	-	115,215
Policy, leadership and public relations	223,421	293,966	32,595	-	-	549,982
Ancillary services	37,964	-	31,639	-	-	69,603
Non-programmed charges	-	-	244,687	-	-	244,687
Debt service:						
Principal retirement	38,858	-	-	-	-	38,858
Interest and fees	2,954	-	-	-	-	2,954
Capital outlay	-	-	-	235,287	-	235,287
Total expenditures	6,750,244	25,943,212	6,445,076	259,486	1,016,933	40,414,951
Revenues over (under) expenditures	749,416	73,127	-	(68,606)	40,279	794,216
Other financing uses:						
Transfers to other funds	(71,640)	(73,127)	-	-	-	(144,767)
Net change in fund balance	677,776	-	-	(68,606)	40,279	649,449
Fund balances:						
Beginning of year	1,757,103	-	-	573,271	321,480	2,651,854
Increase in reserve for inventories	73,132	-	-	-	-	73,132
End of year	$ 2,508,011	$ -	$ -	$ 504,665	$ 361,759	$ 3,374,435

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, 2010

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	$ 649,449
Change in fund balance due to change in reserve for inventory	73,132
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.	(1,539,876)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	194,711
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	38,858
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	257,697
Total changes in net assets of governmental activities	$ (326,029)

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, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	6,152,125	5,588,249	5,627,501	39,252
U.S. Government	187,933	187,933	121,336	(66,597)
Other	1,536,890	1,536,890	1,750,823	213,933
Total revenues	7,876,948	7,313,072	7,499,660	186,588
Expenditures:				
Current:				
Instructional services	3,504,087	3,344,595	2,945,112	399,483
System-wide support services	4,183,928	4,310,047	3,725,356	584,691
Ancillary services	188,933	88,933	37,964	50,969
Non-programmed charges	-	-	-	-
Debt service	-	41,812	41,812	-
Total expenditures	7,876,948	7,785,387	6,750,244	1,035,143
Revenues over (under) expenditures	-	(472,315)	749,416	1,221,731
Other financing uses:				
Transfers to other funds	-	(91,561)	(71,640)	19,921
Fund balance appropriated	-	563,876	-	(563,876)
Net change in fund balance	$ -	$ -	677,776	$ 677,776
Fund balances:				
Beginning of year			1,757,103	
Increase in reserve for inventories			73,132	
End of year			$ 2,508,011	

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, 2010

	State Public School Fund			
	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
Revenues:				
State of North Carolina	$ 23,171,678	$ 26,348,319	$ 26,016,339	$ (331,980)
Montgomery County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	23,171,678	26,348,319	26,016,339	(331,980)
Expenditures:				
Current:				
Instructional services	21,364,629	22,938,143	22,634,380	303,763
System-wide support services	1,726,862	3,329,989	3,308,832	21,157
Ancillary services	80,187	7,060	-	7,060
Non-programmed charges	-	-	-	-
Debt service	-	-	-	-
Total expenditures	23,171,678	26,275,192	25,943,212	331,980
Revenues over (under) expenditures	-	73,127	73,127	-
Other financing sources (uses):				
Transfers to other funds	-	(73,127)	(73,127)	-
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, 2010

	Federal Grants Fund			
	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
Revenues:				
State of North Carolina	$ -	$ -	$ -	$ -
Montgomery County	-	-	-	-
U.S. Government	6,478,126	7,668,657	6,445,076	(1,223,581)
Other	-	-	-	-
Total revenues	6,478,126	7,668,657	6,445,076	(1,223,581)
Expenditures:				
Current:				
Instructional services	5,452,102	6,789,048	5,854,992	934,056
System-wide support services	349,882	313,850	313,758	92
Ancillary services	32,515	31,722	31,639	83
Nonprogrammed charges	643,627	534,037	244,687	289,350
Debt service	-	-	-	-
Total expenditures	6,478,126	7,668,657	6,445,076	1,223,581
Revenues over (under) expenditures	-	-	-	-
Other financing sources (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 7***
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
June 30, 2010

	Enterprise Fund Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	$ 141,915
Due from other governments	76,119
Receivables	1,740
Inventories	63,793
Total current assets	283,567
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	420,707
Total assets	704,274
Liabilities	
Current liabilities:	
Compensated absences	37,259
Unearned revenue	4,629
Total current liabilities	41,888
Noncurrent liabilities:	
Compensated absences	23,309
Total liabilities	65,197
Net assets	
Invested in capital assets	420,707
Unrestricted	218,370
Total net assets	$ 639,077

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, 2010

	Enterprise Fund Major Fund School Food Service
Operating revenues:	
Food sales	$ 711,791
Operating expenses:	
Food cost:	
Purchase of food	842,075
Donated commodities	135,775
Salaries and benefits	1,585,533
Indirect costs	249,915
Materials and supplies	101,555
Repairs and maintenance	10,552
Depreciation	67,223
Non-capitalized equipment	2,283
Other	22,693
Total operating expenses	3,017,604
Operating loss	(2,305,813)
Nonoperating revenues:	
Federal reimbursements	1,811,069
Federal commodities	135,775
State reimbursements	5,556
Indirect costs not paid	249,915
Interest earned	289
Total nonoperating revenues	2,202,604
Loss before transfers and contributions	(103,209)
Transfers from other funds	144,767
Contributions:	
Capital contributions	42,513
Change in net assets	84,071
Net assets, beginning of year	555,006
Net assets, end of year	$ 639,077

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, 2010

	Enterprise Fund Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	$ 711,279
Cash paid for goods and services	(1,005,287)
Cash paid to employees for services	(1,523,349)
Net cash used by operating activities	(1,817,357)
Cash flows from noncapital financing activities:	
Transfers from other funds	71,640
Federal and State reimbursements	1,814,450
Net cash provided by noncapital financing activities	1,886,090
Cash flows from investing activities:	
Interest earned on investments	289
Net increase in cash and cash equivalents	69,022
Cash and cash equivalents, beginning of year	72,893
Cash and cash equivalents, end of year	$ 141,915
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	$ (2,305,813)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	67,223
Donated commodities	135,775
Salaries paid by special revenue fund	73,127
Indirect costs not paid	249,915
Changes in assets and liabilities:	
Increase in accounts receivable	(1,740)
Increase in inventories	(24,221)
Decrease in accounts payable and accrued liabilities	(1,908)
Increase in unearned revenue	1,228
Decrease in compensated absences payable	(10,943)
Total adjustments	488,456
Net cash used by operating activities	$ (1,817,357)

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of $135,775 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

Indirect costs of $249,915 that would be due to the General Fund were not paid. These unpaid costs are reflected as a nonoperating revenue and an operating expense on Exhibit 8.

The State Public School Fund paid salaries and benefits of $73,127 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.

School Food Service capital assets with a value of $42,513 were purchased by the Federal Grants and Capital Outlay Funds during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

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


THE GREAT SEAL OF MONTGOMERY COUNTY
1779
NORTH CAROLINA

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.

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 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. The superintendent is authorized by the governing board to transfer appropriations between sub-functions and objects of expenditures within a function without limitations and without a report to the Board of Education being required. The superintendent may transfer appropriations not to exceed $50,000 between functions of the same fund with a report on such transfers being required at the next meeting of the Board of Education. Any revisions that alter the total expenditures of any fund or

exceed $50,000 must be approved by the Board of Education prior to any expenditures being made. Amendments which alter the county appropriation or transfer moneys to or from the Capital Outlay Fund also require the approval of the Montgomery County Board of Commissioners. All amendments must be approved by the Board of Education. 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 reserved. 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, 2010 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 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.

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 115C-425(a)] restricts the appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for prepaid expenditures, which is not available for appropriation under State law. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Unreserved:

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2010-2011 budget ordinance.

Undesignated - portion of total fund balance available for appropriation which is uncommitted at year-end.

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 $42,541,489 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)	$ 71,104,723
Less accumulated depreciation	(26,564,105)
Net capital assets	44,540,618
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(19,099)
Compensated absences	(1,980,030)
Total adjustment	$ 42,541,489

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 ($975,478) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 177,827
Change in fund balance due to change in reserve for inventory	73,132
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	(1,717,703)
Revenues in the statement of activities that do not provide current financial Resources are not reported as revenues in the funds. Amount of donated assets	194,711
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	38,858
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	257,697
Total adjustment	$ (975,478)

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2010, the Board reported expenditures within the Capital Outlay Fund that violated State law [G.S. 115C-441] because they exceeded the amount appropriated in the budget ordinance by $21,953. Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations. The violation is considered to be immaterial because it resulted from the failure to budget for expenditures that were funded by State grant proceeds, resulting in a net impact of $0 on the fund balance of the Capital Outlay Fund.

NOTE 3 - 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, 2010, the Board had deposits with banks and savings and loans with a carrying amount of $887,757 and with the State Treasurer of $18,838. The bank balances with the financial institutions and the State Treasurer were $1,054,446 and $478,253, respectively. Of these balances, $846,982 was covered by federal depository insurance and $685,717 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2010, the Board had $2,869,851 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2010. 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, 2010 are as follows:

	Due from other governments	Other	Total
Governmental activities:			
General Fund	$ 1,996	$ 31,401	$ 33,397
Business-type activities:			
School Food Service Fund	$ 76,119	$ 1,740	$ 77,859

Due from other governments consists of the following:

Governmental activities:		
General Fund	$ 1,996	State funds
Business-type activities:		
School Food Service Fund	$ 76,119	Federal funds

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 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	855,650	143,365	-	999,015
Vehicles	4,181,041	229,173	26,742	4,383,472
Total capital assets being depreciated	70,189,996	372,538	26,742	70,535,792
Less accumulated depreciation for:				
Buildings and improvements	20,903,156	1,300,759	-	22,203,915
Equipment and furniture	429,625	71,179	-	500,804
Vehicles	3,540,363	345,765	26,742	3,859,386
Total accumulated depreciation	24,873,144	1,717,703	26,742	26,564,105
Total capital assets being depreciated, net	45,316,852			43,971,687
Governmental activity capital assets, net	$ 45,885,783			$ 44,540,618

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment and furniture	$ 1,315,081	$ 42,513	$ 27,536	$ 1,330,058
Vehicles	23,986	-	-	23,986
Total capital assets being depreciated	1,339,067	42,513	27,536	1,354,044
Less accumulated depreciation for:				
Equipment and furniture	869,664	67,223	27,536	909,351
Vehicles	23,986	-	-	23,986
Total accumulated depreciation	893,650	67,223	27,536	933,337
School Food Service capital assets, net	$ 445,417			$ 420,707

Depreciation was charged to governmental functions as follows:

System-wide support services	$ 345,765
Unallocated depreciation	1,371,938
Total	$ 1,717,703

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 3.57% 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, 2010, 2009, and 2008 were $876,232, $945,306, and $603,076, 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, 2010, 2009, and 2008, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of $1,104,494, $1,153,498, and $1,056,671, respectively. These contributions represented 4.50%, 4.10%, and 4.10% 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, 2010, 2009, and 2008, the Board paid all annual required contributions to the DIPNC for disability benefits of $127,630, $146,297, and $134,017 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, 2010 are as follows:

	Vendors
Governmental activities:	
General Fund	$ 297,260

3. Unearned Revenues

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

Governmental activities:	
State grant funds (State Public School Fund)	$ 18,838
Lottery funds (Capital Outlay Fund)	180,598
Total governmental activities	$ 199,436
Business-type activities:	
Prepayments of meals (School Food Service Fund)	$ 4,629

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

a. Installment Purchases

The Board is authorized by State law [G.S. 115C-528] to enter into installment purchase contracts to finance the purchase or improvement of personal property and to secure its obligations under such contracts by security interest in all or a portion of the property purchased or improved. During the fiscal years ended June 30, 2006 and 2007, the Board entered into three such contracts for the purchase of modular units with interest rates ranging from 6.0% to 7.0%.

The future minimum payments due under these installment purchase contracts as of June 30, 2010 are as follows:

	Governmental Activities	
Year Ending June 30	Principal	Interest
2011	$ 19,099	$ 1,148

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2010:

	July 1, 2009	Increases	Decreases	June 30, 2010	Current Portion
Governmental activities:					
Installment purchases	$ 57,957	$ -	$ 38,858	$ 19,099	$ 19,099
Compensated absences	2,237,727	1,499,177	1,756,874	1,980,030	930,894
Total governmental activities	$ 2,295,684	$ 1,499,177	$ 1,795,732	$ 1,999,129	$ 949,993
Business-type activities:					
Compensated absences	$ 71,511	$ 85,871	$ 96,814	$ 60,568	$ 37,259

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, 2010 consisted of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	$ 73,127
From the General Fund to the School Food Service Fund for administrative costs	71,640
Totals	$ 144,767

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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Montgomery County:			
County appropriation	5,538,249	5,538,249	-
Timber receipts	50,000	89,252	39,252
Total Montgomery County	5,588,249	5,627,501	39,252
U.S. Government:			
ROTC	99,000	101,993	2,993
Fresh Fruit and Vegetable Grant	88,933	19,343	(69,590)
Total U.S. Government	187,933	121,336	(66,597)
Other:			
Fines and forfeitures	250,000	325,681	75,681
Interest earned on investment	25,000	30,742	5,742
Indirect costs allocated	35,000	244,687	209,687
Contracted services	691,380	676,505	(14,875)
Medicaid reimbursement program	32,000	102,564	70,564
School nurse reimbursement	100,000	100,000	-
Other refunds and reimbursements	180,000	-	(180,000)
Miscellaneous	223,510	270,644	47,134
Total other	1,536,890	1,750,823	213,933
Total revenues	7,313,072	7,499,660	186,588
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	1,273,029	-
Special populations	-	1,636	-
Alternative programs	-	860,332	-
School leadership	-	314,704	-
Co-curricular	-	241,626	-
School-based support	-	253,785	-
Total instructional services	3,344,595	2,945,112	399,483

MONTGOMERY COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
System-wide support services:			
Support and development	$ -	$ 217,728	$ -
Technology support	-	328,821	-
Operational support	-	2,369,595	-
Financial and human resource services	-	468,779	-
Accountability	-	1,797	-
System-wide pupil support	-	115,215	-
Policy, leadership and public relations	-	223,421	-
Total system-wide support services	4,310,047	3,725,356	584,691
Ancillary services:			
Nutrition	88,933	37,964	50,969
Debt service:			
Principal retirement	-	38,858	-
Interest and fees	-	2,954	-
Total debt service	41,812	41,812	-
Total expenditures	7,785,387	6,750,244	1,035,143
Revenues over (under) expenditures	(472,315)	749,416	1,221,731
Other financing uses:			
Transfers to other funds	(91,561)	(71,640)	19,921
Fund balance appropriated	563,876	-	(563,876)
Net change in fund balance	$ -	677,776	$ 677,776
Fund balance:			
Beginning of year		1,757,103	
Increase in reserve for inventories		73,132	
End of year		$ 2,508,011	

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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Building Capital Fund	$ -	$ 189,352	$ 189,352
Other:			
Interest earned on investments	-	1,528	1,528
Total revenues	-	190,880	190,880
Expenditures:			
Current:			
System-wide support services:			
Financial and human resource	32,611	24,199	8,412
Capital outlay	213,334	235,287	(21,953)
Total expenditures	245,945	259,486	(13,541)
Revenues under expenditures	(245,945)	(68,606)	177,339
Fund balance appropriated	245,945	-	(245,945)
Net change in fund balance	$ -	(68,606)	$ (68,606)
Fund balance:			
Beginning of year		573,271	
End of year		$ 504,665	

MONTGOMERY COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2010

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2009	Fund balances June 30, 2010
West Montgomery High	$ 276,222	$ 283,555	$ (7,333)	$ 88,913	$ 81,580
East Montgomery High	247,632	232,690	14,942	65,141	80,083
West Middle	151,574	146,279	5,295	18,694	23,989
East Middle	74,230	73,947	283	38,312	38,595
Candor Elementary	65,840	56,400	9,440	23,046	32,486
Green Ridge Elementary	30,177	25,768	4,409	14,053	18,462
Mt. Gilead Elementary	49,498	42,675	6,823	6,364	13,187
Page Street Elementary	67,926	68,762	(836)	15,191	14,355
Star-Biscoe Elementary	51,738	43,219	8,519	35,262	43,781
Troy Elementary	42,375	43,638	(1,263)	16,504	15,241
Totals	$ 1,057,212	$ 1,016,933	$ 40,279	$ 321,480	$ 361,759

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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	$ 841,600	$ 711,791	$ (129,809)
Operating expenditures:			
Business support services:			
Purchase of food	-	866,296	-
Donated commodities	-	135,775	-
Salaries and benefits	-	1,596,476	-
Indirect costs	-	249,915	-
Materials and supplies	-	101,555	-
Repairs and maintenance	-	10,552	-
Non-capitalized equipment	-	2,283	-
Other	-	22,693	-
Total operating expenditures	3,021,200	2,985,545	35,655
Operating loss	(2,179,600)	(2,273,754)	(94,154)
Nonoperating revenues:			
Federal reimbursements	1,762,000	1,811,069	49,069
Federal commodities	140,000	135,775	(4,225)
State reimbursements	9,000	5,556	(3,444)
Indirect costs not paid	185,500	249,915	64,415
Interest earned	600	289	(311)
Total nonoperating revenues	2,097,100	2,202,604	105,504
Excess of expenditures over revenues before other financing sources	(82,500)	(71,150)	11,350
Other financing sources:			
Transfers from other funds	-	144,767	144,767
Fund balance appropriated	82,500	-	(82,500)
Net change in fund balance	$ -	73,617	$ 73,617
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(67,223)	
Capital contributions		42,513	
Decrease in compensated absences payable		10,943	
Increase in inventories		24,221	
Change in net assets (full accrual)		$ 84,071	

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

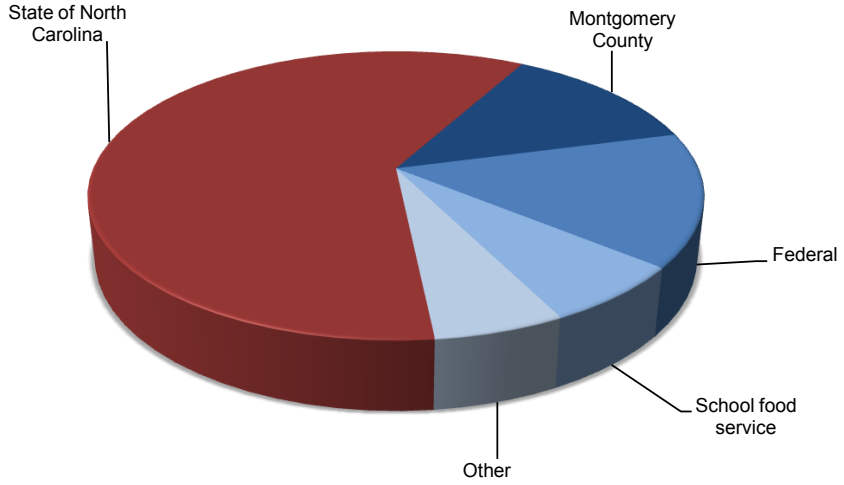
MONTGOMERY COUNTY BOARD OF EDUCATION

Financial Perspective

Governmental and Business-type Activities

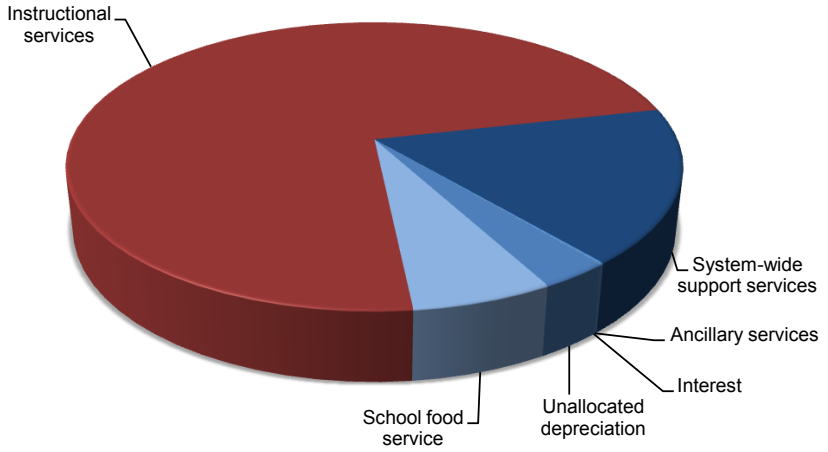
For Year Ended June 30, 2010

Revenue Sources



State of North Carolina	$	26,205,691
Montgomery County		5,627,501
Federal		6,566,412
School food service		2,914,395
Other		2,552,185
Total revenue sources	$	43,866,184

Expenses



Instructional services	$	32,241,425
System-wide support services		7,654,533
Ancillary services		69,603
Interest		2,954
Unallocated depreciation		1,371,938
School food service		2,767,689
Total expenses	$	44,108,142

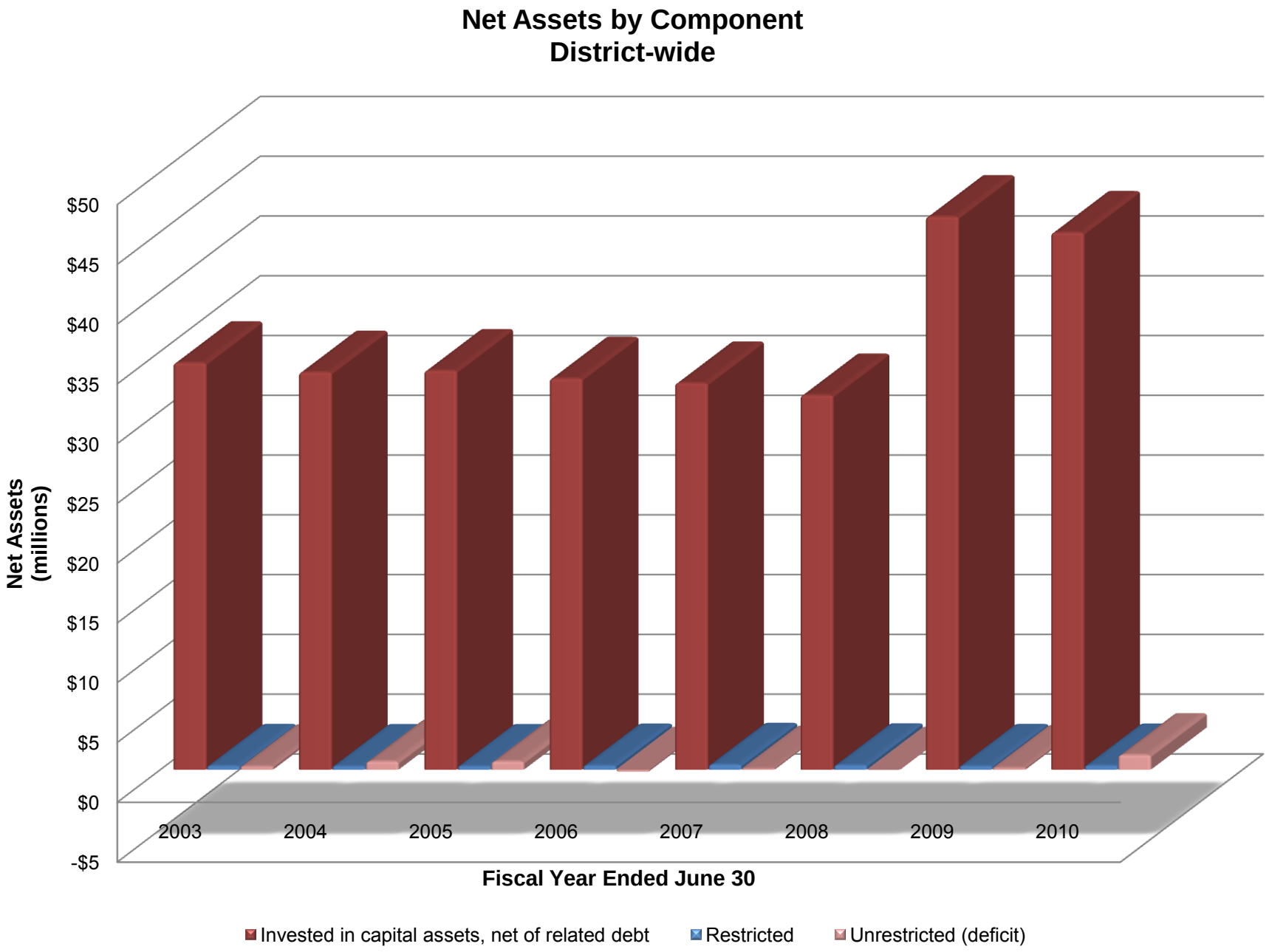
MONTGOMERY COUNTY BOARD OF EDUCATION

Net Assets by Component
Last Eight Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010
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
Restricted	327,681	310,352	317,729	359,366	428,786	385,997	321,480	361,759
Unrestricted (deficit)	147,443	512,699	384,569	(445,860)	(63,506)	(148,413)	92,647	1,032,646
	$ 34,213,858	$ 33,769,088	$ 33,843,155	$ 32,359,044	$ 32,427,109	$ 31,307,713	$ 46,241,953	$ 45,915,924
Business-type activities:								
Invested in capital assets	$ 308,914	$ 309,947	$ 257,232	$ 300,034	$ 294,304	$ 270,130	$ 445,417	$ 420,707
Unrestricted	157,879	195,551	326,046	214,973	207,537	138,245	109,589	218,370
	$ 466,793	$ 505,498	$ 583,278	$ 515,007	$ 501,841	$ 408,375	$ 555,006	$ 639,077
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
Restricted	327,681	310,352	317,729	359,366	428,786	385,997	321,480	361,759
Unrestricted (deficit)	305,322	708,250	710,615	(230,887)	144,031	(10,168)	202,236	1,251,016
	$ 34,680,651	$ 34,274,586	$ 34,426,433	$ 32,874,051	$ 32,928,950	$ 31,716,088	$ 46,796,959	$ 46,555,001

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2010

Note: This table is a ten year schedule. However, GASB 34 was implemented for the year ended June 30, 2003. Therefore, there are only eight years of comparative data noted above.


Net Assets by Component
District-wide
Net Assets (millions)
$50
$45
$40
$35
$30
$25
$20
$15
$10
$5
$0
-$5
2003
2004
2005
2006
2007
2008
2009
2010
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 Eight Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010
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
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
Ancillary services	-	-	-	-	-	1,628	23	69,603
Non-programmed charges	(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
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
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
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
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
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
Other	59,440	27,295	-	-	-	-	-	-
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
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
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
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
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
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
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)
Business-type activities	23,390	38,343	62,897	(138,625)	(87,245)	(190,520)	(31,696)	(60,985)
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)

MONTGOMERY COUNTY BOARD OF EDUCATION

Changes in Net Assets (continued)
Last Eight Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010
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
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
Unrestricted State appropriations - capital	-	-	-	-	-	-	-	189,352
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
Miscellaneous, unrestricted	517,235	549,966	720,541	410,483	566,308	590,660	772,071	596,325
Transfers	-	-	(55,158)	(69,284)	(73,074)	(96,130)	(177,819)	(144,767)
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
Business-type activities:								
Investment earnings, unrestricted	640	362	536	1,070	1,005	924	508	289
Transfers	-	-	55,158	69,284	73,074	96,130	177,819	144,767
Total business-type activities	640	362	55,694	70,354	74,079	97,054	178,327	145,056
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
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)
Business-type activities	24,030	38,705	118,591	(68,271)	(13,166)	(93,466)	146,631	84,071
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)

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2010

Note: This table is a ten year schedule. However, GASB 34 was implemented for the year ended June 30, 2003. Therefore, there are only eight years of comparative data noted above.

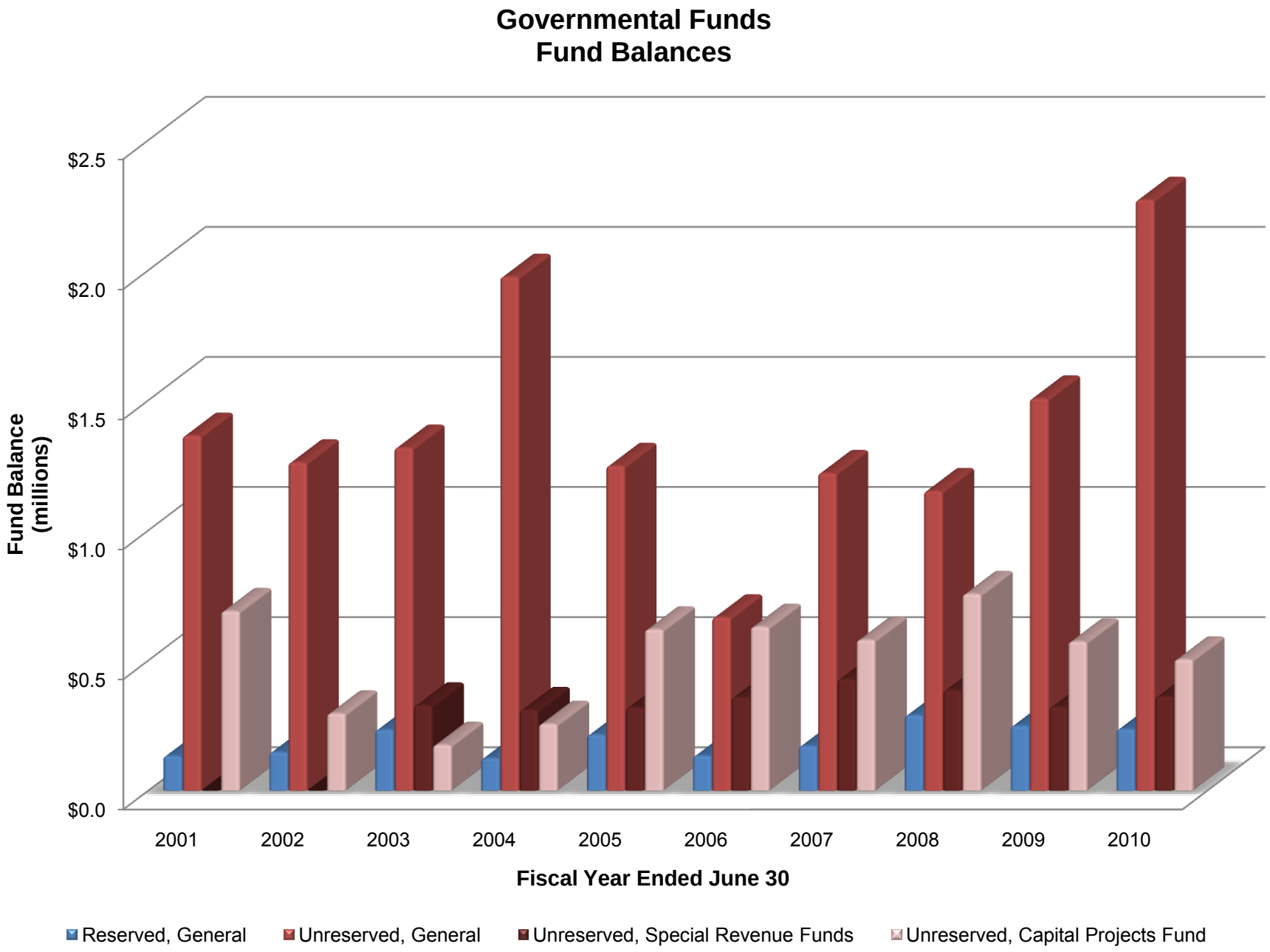
Note: Expenses for 2007 and before are not comparable to 2008 (and after) expenses due to a change in the Uniform Chart of Accounts required to be used by all Local Education Agencies in North Carolina.

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

Year Ended June 30	2001	2002	2003	2004	2005
General Fund:					
Reserved	$ 133,854	$ 148,016	$ 234,389	$ 124,804	$ 214,932
Unreserved	1,364,272	1,261,864	1,318,341	1,975,385	1,248,435
Total General Fund	$ 1,498,126	$ 1,409,880	$ 1,552,730	$ 2,100,189	$ 1,463,367
All other governmental funds:					
Reserved	$ 56,258	$ 56,258	$ 19,389	$ 19,389	$ 35,716
Unreserved, reported in:					
Special Revenue Funds	-	-	327,681	310,352	317,729
Capital Projects Fund	690,311	296,887	176,126	256,771	619,853
Total all other governmental funds	$ 746,569	$ 353,145	$ 523,196	$ 586,512	$ 973,298

Year Ended June 30	2006	2007	2008	2009	2010
General Fund:					
Reserved	$ 134,280	$ 172,295	$ 289,953	$ 249,430	$ 236,600
Unreserved	666,208	1,220,809	1,151,679	1,507,673	2,271,411
Total General Fund	$ 800,488	$ 1,393,104	$ 1,441,632	$ 1,757,103	$ 2,508,011
All other governmental funds:					
Reserved	$ -	$ 44,543	$ -	$ -	$ -
Unreserved, reported in:					
Special Revenue Funds	359,366	428,786	385,997	321,480	361,759
Capital Projects Fund	630,171	579,762	756,237	573,271	504,665
Total all other governmental funds	$ 989,537	$ 1,053,091	$ 1,142,234	$ 894,751	$ 866,424

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2010


Governmental Funds
Fund Balances
Fund Balance (millions)
$2.5
$2.0
$1.5
$1.0
$0.5
$0.0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Fiscal Year Ended June 30
Reserved, General
Unreserved, General
Unreserved, Special Revenue Funds
Unreserved, Capital Projects Fund

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

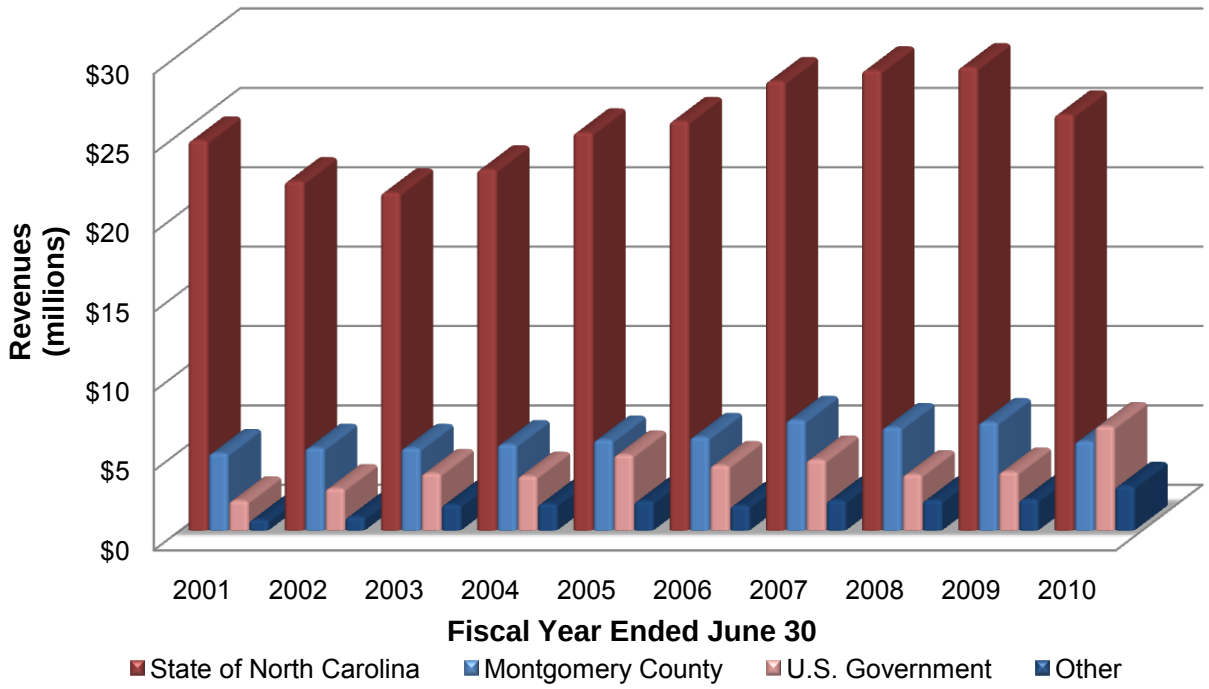
Year Ended June 30	2001	2002	2003	2004	2005
Revenues					
State of North Carolina	$ 24,568,394	$ 22,003,873	$ 21,293,810	$ 22,744,475	$ 25,071,720
Montgomery County	4,878,843	5,211,048	5,201,048	5,436,000	5,721,289
U.S. Government	1,893,195	2,666,676	3,614,901	3,444,588	4,782,317
Other	693,073	866,935	1,646,095	1,696,731	1,856,463
Total revenues	32,033,505	30,748,532	31,755,854	33,321,794	37,431,789
Expenditures					
Instructional services	21,630,473	22,539,154	23,501,132	24,638,674	27,199,644
System-wide support services	6,765,834	7,367,267	7,091,864	7,182,236	8,663,076
Ancillary services	-	-	-	-	-
Non-programmed charges	11,875	23,523	46,110	51,919	134,056
Debt service	112,695	122,086	112,694	194,446	701,468
Capital outlay	4,836,724	1,200,454	1,001,503	883,739	1,870,090
Total expenditures	33,357,601	31,252,484	31,753,303	32,951,014	38,568,334
Revenues over (under) expenditures	(1,324,096)	(503,952)	2,551	370,780	(1,136,545)
Other financing sources (uses)					
Transfers to other funds	-	-	-	-	(55,158)
Installment purchase obligations	-	-	-	245,257	884,208
Total other financing sources (uses)	-	-	-	245,257	829,050
Net change in fund balances	$ (1,324,096)	$ (503,952)	$ 2,551	$ 616,037	$ (307,495)

Year Ended June 30	2006	2007	2008	2009	2010
Revenues					
State of North Carolina	$ 25,792,428	$ 28,306,558	$ 28,986,095	$ 29,182,163	$ 26,205,691
Montgomery County	5,890,844	6,965,259	6,513,864	6,827,483	5,627,501
U.S. Government	4,116,875	4,469,050	3,541,046	3,708,444	6,566,412
Other	1,578,681	1,905,228	1,921,427	1,966,686	2,809,563
Total revenues	37,378,828	41,646,095	40,962,432	41,684,776	41,209,167
Expenditures					
Instructional services	27,789,092	29,165,797	32,907,671	33,261,224	32,451,417
System-wide support services	9,154,454	9,670,322	7,277,894	7,035,919	7,372,145
Ancillary services	-	-	1,628	23	69,603
Non-programmed charges	47,688	52,939	47,820	87,214	244,687
Debt service	518,227	295,126	218,732	196,922	41,812
Capital outlay	531,844	2,289,023	376,976	771,461	235,287
Total expenditures	38,041,305	41,473,207	40,830,721	41,352,763	40,414,951
Revenues over (under) expenditures	(662,477)	172,888	131,711	332,013	794,216
Other financing sources (uses)					
Transfers to other funds	(69,284)	(73,074)	(96,130)	(177,819)	(144,767)
Installment purchase obligations	122,225	524,094	-	-	-
Total other financing sources (uses)	52,941	451,020	(96,130)	(177,819)	(144,767)
Net change in fund balances	$ (609,536)	$ 623,908	$ 35,581	$ 154,194	$ 649,449

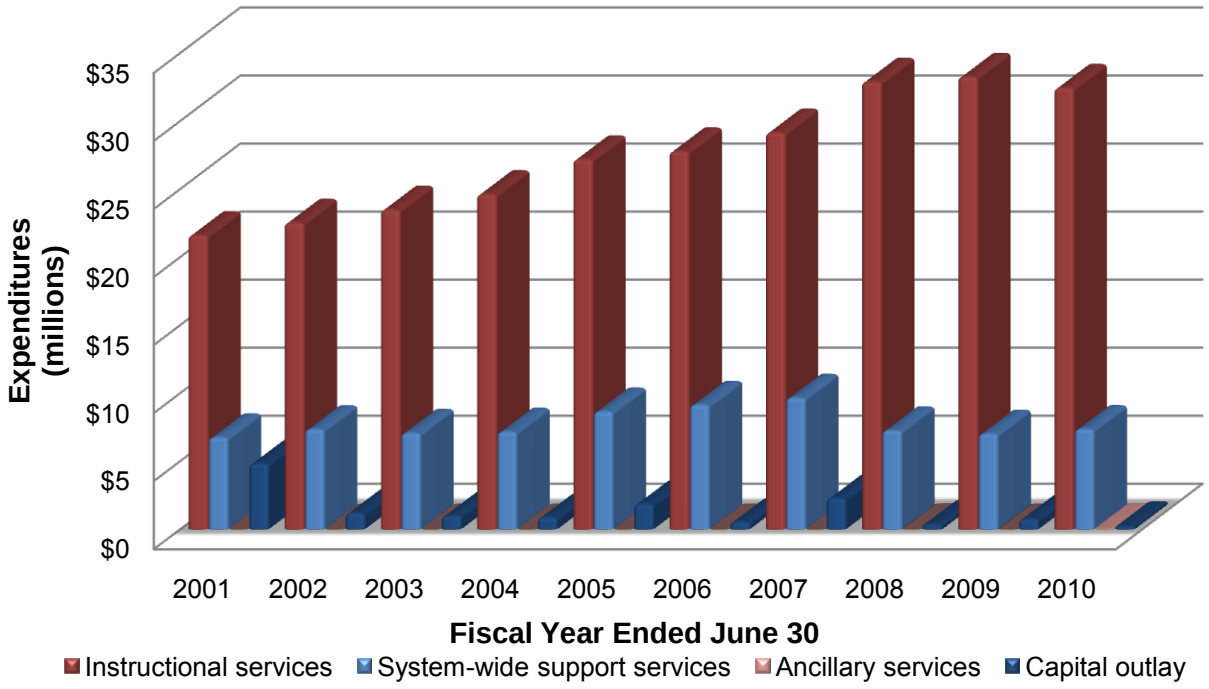
Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2010

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



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	2001	2002	2003	2004	2005
Average Daily Membership	4,461	4,413	4,394	4,423	4,459
Instructional	$ 4,849	$ 5,107	$ 5,348	$ 5,571	$ 6,100
System-wide support	1,517	1,669	1,614	1,624	1,943
Ancillary	-	-	-	-	-
Total expenditures per pupil	$ 6,366	$ 6,776	$ 6,962	$ 7,195	$ 8,043

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Average Daily Membership	4,477	4,460	4,426	4,330	4,221
Instructional	$ 6,207	$ 6,539	$ 7,435	$ 7,682	$ 7,688
System-wide support	2,045	2,168	1,644	1,625	1,747
Ancillary	-	-	-	-	16
Total expenditures per pupil	$ 8,252	$ 8,707	$ 9,079	$ 9,307	$ 9,451

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2001	2002	2003	2004	2005
Instructional	$ 2,724	$ 2,839	$ 2,911	$ 2,937	$ 3,136
System-wide support	852	928	879	856	999
Ancillary	-	-	-	-	-
Total expenditures per pupil	$ 3,576	$ 3,767	$ 3,790	$ 3,793	$ 4,135

EXPRESSED IN CONSTANT DOLLARS

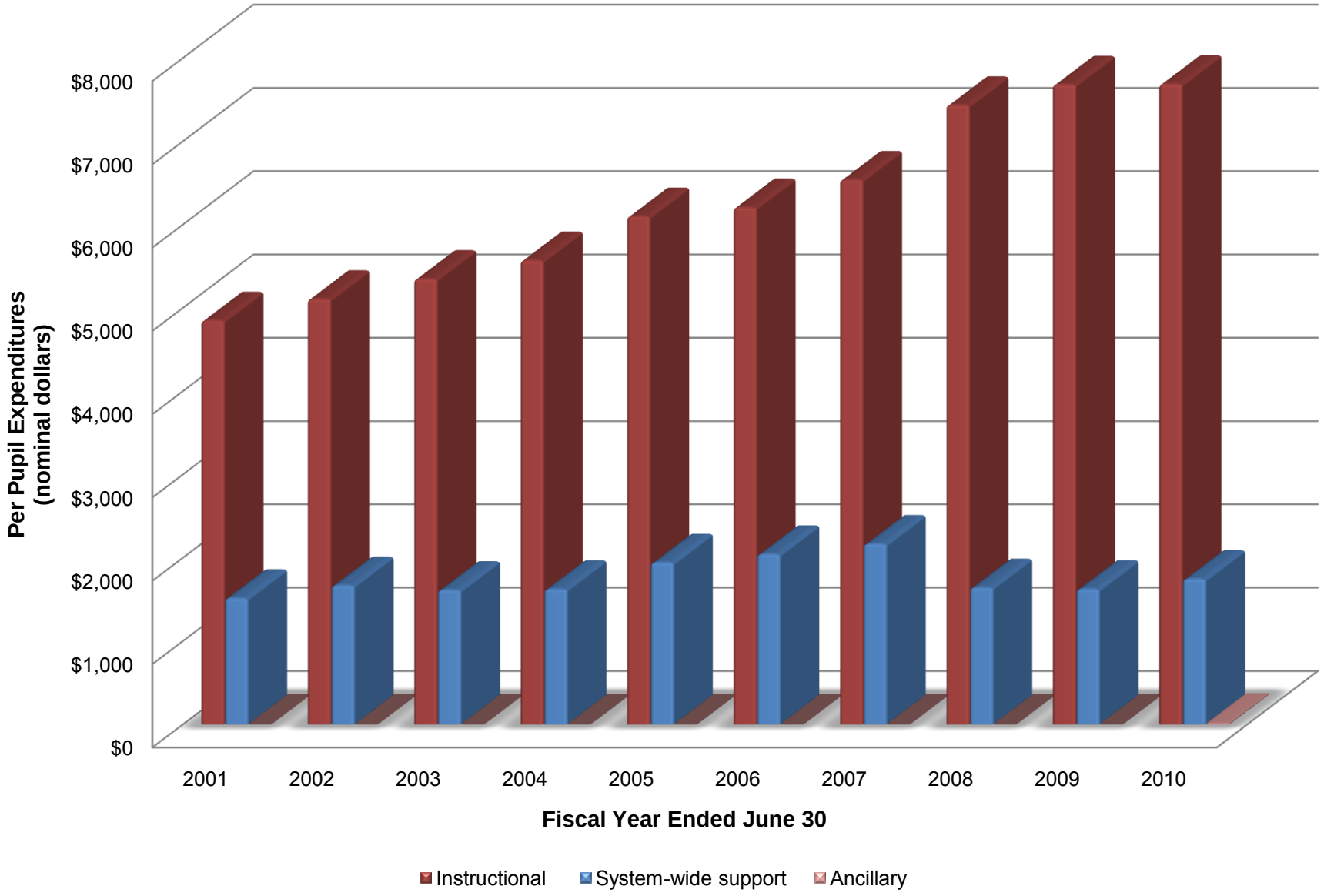
Year Ended June 30	2006	2007	2008	2009	2010
Instructional	$ 3,059	$ 3,138	$ 3,398	$ 3,562	$ 3,527
System-wide support	1,008	1,041	751	753	802
Ancillary	-	-	-	-	7
Total expenditures per pupil	$ 4,067	$ 4,179	$ 4,149	$ 4,315	$ 4,336

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2010.
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



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	2001	2002	2003	2004	2005
Food sales	$ 874,608	$ 868,240	$ 815,415	$ 807,097	$ 858,734
Federal reimbursements	1,152,579	1,262,014	1,258,330	1,393,272	1,510,661
Federal commodities	156,717	128,308	127,578	120,073	109,731
Other	85,454	55,359	141,634	174,809	144,240
Total revenues	$ 2,269,358	$ 2,313,921	$ 2,342,957	$ 2,495,251	$ 2,623,366

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Food sales	$ 774,780	$ 892,578	$ 874,566	$ 846,616	$ 711,791
Federal reimbursements	1,570,396	1,612,265	1,616,499	1,696,610	1,811,069
Federal commodities	120,815	131,947	136,604	135,743	135,775
Other	126,724	112,911	199,310	208,889	255,760
Total revenues	$ 2,592,715	$ 2,749,701	$ 2,826,979	$ 2,887,858	$ 2,914,395

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2001	2002	2003	2004	2005
Food sales	$ 491,353	$ 482,624	$ 443,884	$ 425,460	$ 441,508
Federal reimbursements	647,516	701,509	684,992	734,461	776,689
Federal commodities	88,043	71,322	69,449	63,296	56,417
Other	48,008	30,772	77,101	92,150	74,159
Total revenues	$ 1,274,920	$ 1,286,227	$ 1,275,426	$ 1,315,367	$ 1,348,773

EXPRESSED IN CONSTANT DOLLARS

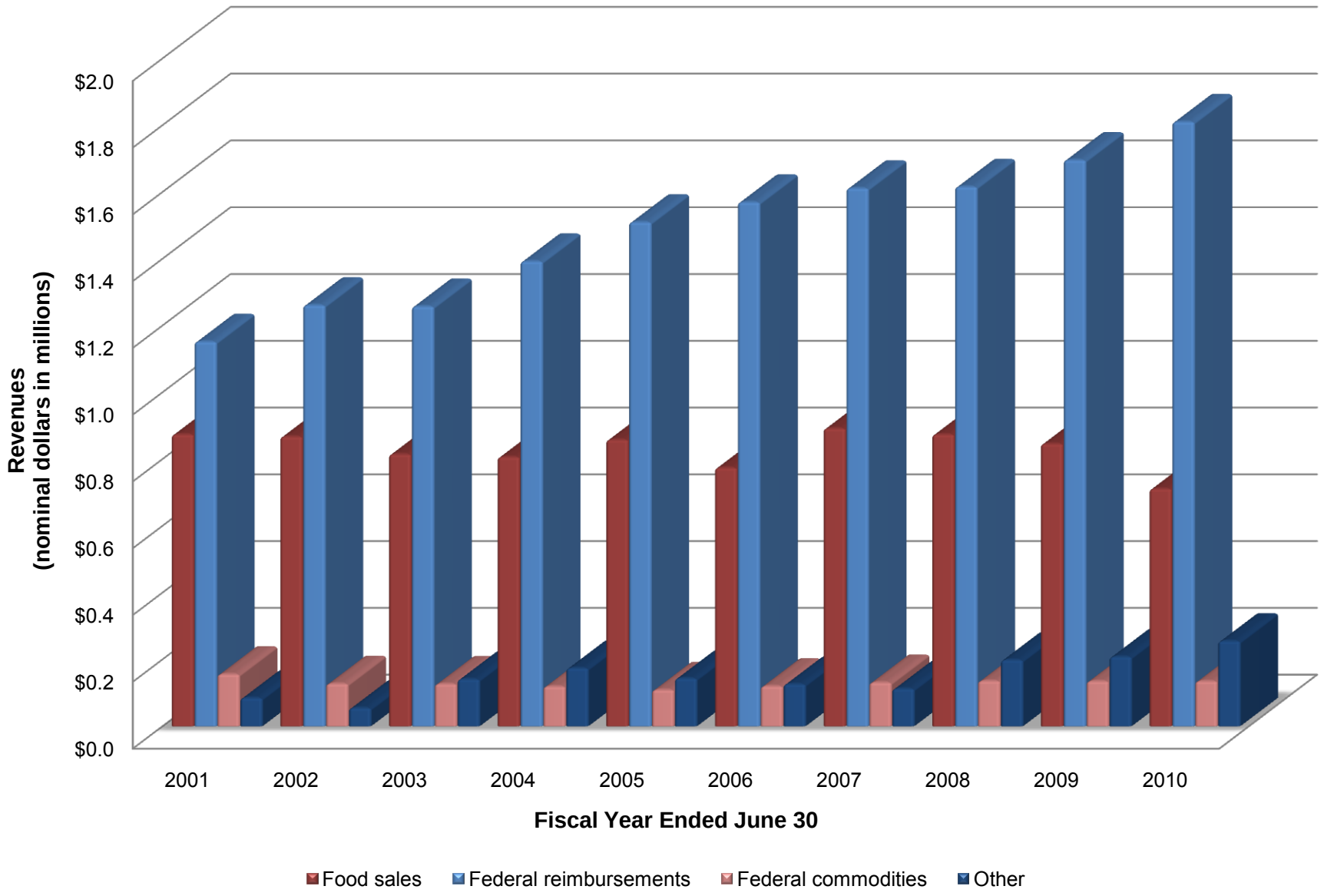
Year Ended June 30	2006	2007	2008	2009	2010
Food sales	$ 381,853	$ 428,399	$ 399,683	$ 392,510	$ 326,562
Federal reimbursements	773,975	773,818	738,751	786,586	830,899
Federal commodities	59,544	63,329	62,429	62,933	62,292
Other	62,456	54,192	91,086	96,846	117,340
Total revenues	$ 1,277,828	$ 1,319,738	$ 1,291,949	$ 1,338,875	$ 1,337,093

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2010

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

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	2001	2002	2003	2004	2005
Purchase of food	$ 682,599	$ 658,450	$ 622,269	$ 675,348	$ 754,776
Donated commodities	119,976	128,308	127,578	120,073	109,731
Salaries and benefits	1,204,105	1,267,347	1,286,800	1,380,336	1,379,506
Other	284,991	293,279	282,280	302,965	337,810
Total expenses	$ 2,291,671	$ 2,347,384	$ 2,318,927	$ 2,478,722	$ 2,581,823

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Purchase of food	$ 761,912	$ 826,206	$ 910,984	$ 890,076	$ 842,075
Donated commodities	120,815	131,947	136,604	135,743	135,775
Salaries and benefits	1,564,833	1,575,494	1,601,722	1,726,444	1,585,533
Other	363,871	341,294	367,265	390,251	454,221
Total expenses	$ 2,811,431	$ 2,874,941	$ 3,016,575	$ 3,142,514	$ 3,017,604

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2001	2002	2003	2004	2005
Purchase of food	$ 383,483	$ 366,009	$ 338,742	$ 356,008	$ 388,060
Donated commodities	67,402	71,322	69,449	63,296	56,417
Salaries and benefits	676,463	704,473	700,490	727,642	709,258
Other	160,107	163,023	153,664	159,707	173,681
Total expenses	$ 1,287,455	$ 1,304,827	$ 1,262,345	$ 1,306,653	$ 1,327,416

EXPRESSED IN CONSTANT DOLLARS

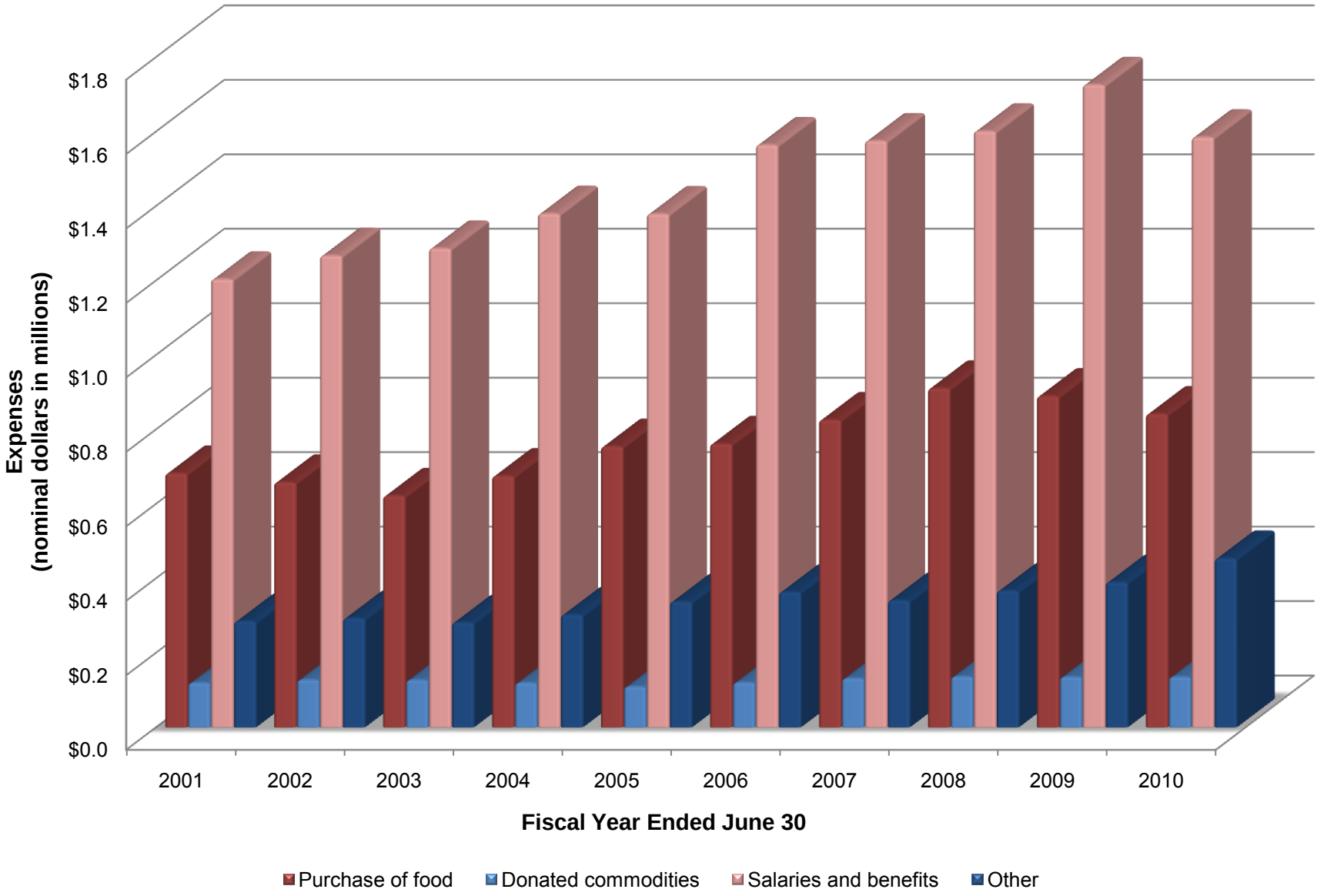
Year Ended June 30	2006	2007	2008	2009	2010
Purchase of food	$ 375,511	$ 396,543	$ 416,326	$ 412,659	$ 386,335
Donated commodities	59,544	63,329	62,429	62,933	62,292
Salaries and benefits	771,234	756,169	731,998	800,417	727,426
Other	179,335	163,806	167,843	180,929	208,392
Total expenses	$ 1,385,624	$ 1,379,847	$ 1,378,596	$ 1,456,938	$ 1,384,445

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2010

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
2010	$ 19,099	$ 19,099	N/A	N/A
2009	57,957	57,957	N/A	$ 2
2008	249,354	249,354	0.03%	9
2007	460,159	460,159	0.06%	17
2006	220,512	220,512	0.03%	8
2005	604,151	604,151	0.09%	22
2004	412,058	412,058	0.06%	15
2003	347,217	347,217	0.06%	13
2002	441,415	441,415	0.07%	16
2001	538,660	538,660	0.09%	20

N/A = Not available

Source: Montgomery County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2010

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, 2010 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2011, 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, 2009 and June 30, 2010 income based information will be shown above as "N/A", and the June 30, 2009 information will be reported for the year ended June 30, 2011, if applicable.

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



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Avg Daily Membership	4,461	4,413	4,394	4,423	4,459	4,477	4,460	4,426	4,330	4,221

MONTGOMERY COUNTY BOARD OF EDUCATION
Student Statistics
Last Ten Fiscal Years

Year Ended June 30	Teaching Staff	Students	Pupil/ Teacher Ratio	Student Attendance Percentage[1]	Percentage of Students Receiving Free/Reduced Lunch[2]
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%
2002	318	4,413	1/14	95.81%	57.85%
2001	307	4,461	1/15	95.70%	56.35%

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		
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%
2002	52%	29%	3%	16%	-	220	71%
2001	54%	29%	3%	14%	-	241	66%

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 (2001-2009 Editions). Current year information obtained from Montgomery County Board of Education Student Data

(4) North Carolina Public Schools Statistical Profile (2001-2008 Editions). Information for 2009 and 2010 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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Officials, admins, mgrs	13	13	11	12	10	13	8	8	10	9
Principals	10	10	10	9	10	10	10	10	10	10
Asst. Principals, non-teaching	6	6	5	6	6	6	6	6	6	6
Total administrators	29	29	26	27	26	29	24	24	26	25
Elementary teachers	172	209	184	178	179	234	241	241	236	226
Secondary teachers	108	109	85	82	75	87	101	101	102	94
Other teachers	27	-	42	67	67	-	2	2	-	-
Total teachers	307	318	311	327	321	321	344	344	338	320
Guidance	10	9	10	11	11	11	11	11	12	11
Psychological	1	1	1	1	1	1	-	-	-	-
Librarian, audiovisual	8	9	9	9	9	9	9	9	10	10
Consultant, supervisor	7	-	-	-	-	-	10	10	6	7
Other professionals	17	12	14	11	28	29	14	14	14	12
Total professionals	379	378	371	386	396	400	412	412	406	385
Teacher Assistants	117	130	136	131	125	146	148	148	132	111
Technicians	-	3	1	1	1	2	11	11	12	12
Clerical, secretarial	39	40	45	43	43	47	47	47	42	43
Service workers	118	91	88	97	110	101	88	88	91	97
Skilled crafts	13	16	10	-	-	-	20	20	21	16
Total employees	666	658	651	658	675	696	726	726	704	664

Source: North Carolina Public Schools Statistical Profile (2001-2009 Editions)

Note: Current year data obtained from the Montgomery County Board of Education SS200 2009-2010 NC Public School System - Full Time Personnel Report, which is used by the NC Department of Public Instruction to complete the North Carolina Public Schools Statistical Profile (2010 Edition).

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]
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
2002	25,250	55,910	33,676	240	91	6	4
2001	25,000	51,950	33,090	230	95	4	2

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 (2001-2010 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, 2010

Site	Year Built	Capacity	Current Membership	Over/(Under) Capacity	Condition
Candor Elementary	1979	553	347	-37%	Good
Green Ridge Elementary	2008	700	449	-36%	Excellent
Mount Gilead Elementary	1979	476	344	-28%	Good
Page Street Elementary	2002	401	356	-11%	Good
Star Elementary	1983	444	270	-39%	Good
Troy Elementary	1979	419	298	-29%	Good
East Middle	1990	478	487	2%	Good
West Middle	1990	644	463	-28%	Good
Montgomery Learning Academy	1965	100	62	-38%	Fair
East Montgomery High	1960	665	573	-14%	Fair
West Montgomery High	1960	825	572	-31%	Fair

Source: Montgomery County Board of Education N. C. Public Schools Facility Needs Report; 2010

MONTGOMERY COUNTY, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Year Ended June 30	2001	2002	2003	2004	2005
Population estimate (1)	26,972	27,028	27,225	27,051	27,102
Personal income (2)	$616,743,000	$611,276,000	$605,694,000	$669,900,000	$697,152,000
Per capita income (2)	$22,866	$22,616	$22,248	$24,764	$25,723
Median age (3)	36.86	36.93	37.02	37.06	37.12
School enrollment (4)	4,461	4,413	4,394	4,423	4,459
Unemployment rate (5)	6.9%	8.0%	9.6%	7.4%	7.5%
Year Ended June 30	**2006**	**2007**	**2008**	**2009**	**2010**
Population estimate (1)	27,262	27,464	27,707	27,745	N/A
Personal income (2)	$704,809,000	$718,262,000	$731,072,000	N/A	N/A
Per capita income (2)	$25,853	$26,153	$26,386	N/A	N/A
Median age (3)	37.21	37.38	37.59	37.86	38.01
School enrollment (4)	4,477	4,460	4,426	4,330	4,221
Unemployment rate (5)	7.1%	6.1%	8.1%	13.3%	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, 2010 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2011, 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, 2009 and June 30, 2010 income based information will be shown above as "N/A", and the June 30, 2009 information will be reported for the year ended June 30, 2011, if applicable.

MONTGOMERY COUNTY, NORTH CAROLINA
Principal Employers
For Year Ended June 30, 2010 and 2001

	2010			2001		
Employer	**Employees [1]**	**Rank**	**Percentage of Total County Employment**	**Employees [1]**	**Rank**	**Percentage of Total County Employment**
Montgomery County Schools	650	1	6.94%	550	3	4.76%
Southern Correctional Center	325	2	3.47%	335	8	2.90%
Realistic Furniture, Inc.	318	3	3.39%	731	2	6.32%
Grede Citation Corporation	254	4	2.71%	-		-
Jordan Lumber & Supply, Inc.	248	5	2.65%	-		-
Wal-Mart	244	6	2.60%	-		-
Montgomery County	240	7	2.56%	-		-
First Bank	238	8	2.54%	-		-
Capel, Inc.	219	9	2.34%	450	6	3.89%
McRae Industries	166	10	1.77%	400	7	3.46%
Renfro Corporation	-		-	750	1	6.49%
Clayson Knitting	-		-	506	4	4.38%
Candor Hosiery	-		-	495	5	4.28%
Springs Industries	-		-	330	9	2.85%
FirstHealth Montgomery Memorial Hospital	-		-	325	10	2.81%
	2,902		30.97%	4,872		42.14%
Total County Employment [2]	9,371			11,563		

Sources:

(1) Montgomery County Chamber of Commerce

(2) North Carolina Employment Security Commission

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

	Governmental Activities			Business -Type Activities				
Year Ended June 30	Capitalized Leases	Installment Purchases	General Obligation Bonds	Installment Purchases	General Obligation Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
2010	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2009	780,352	1,135,558	25,338,070	5,068,662	6,262,930	38,585,572	N/A	$ 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
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A = Not Available

Source: Montgomery County, North Carolina, Annual Financial Report for the year ended June 30, 2010.

Note: This table is a ten year schedule. However, annual financial reports for the years ended June 30, 2001, June 30, 2002, June 30, 2003, and June 30, 2010 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 seven 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, 2010 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2011, 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, 2009 and June 30, 2010 income based information will be shown above as "N/A", and the June 30, 2009 information will be reported for the year ended June 30, 2011, if applicable.

MONTGOMERY COUNTY, NORTH CAROLINA
Principal Property Taxpayers
December 31, 2009 and December 31, 2000

		2009			2000		
Taxpayer	**Type of Business**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Yadkin, Inc.	Manufacturing	$ 63,411,098	1	2.74%	$ 40,179,884	1	2.70%
Unilin U.S. MDF	Manufacturing	49,552,805	2	2.14%	-		-
Jordan Lumber & Supply, Inc.	Manufacturing	32,700,960	3	1.41%	23,045,014	3	1.55%
Tillery Tradition, Inc.	Dev.	16,485,550	4	0.71%	-		-
Mountaire Farms, Inc.	Manufacturing	16,107,440	5	0.70%	-		-
Troy Lumber Co. - Lumber Div.	Manufacturing	15,444,222	6	0.67%	12,887,322	4	0.87%
Citation Castings, Inc.	Manufacturing	12,453,733	7	0.54%	-		-
Lake Badin Associates	Real Estate Dev.	9,865,395	8	0.43%	30,779,278	2	2.07%
KEI Acquisition Corp.	Dev.	7,124,400	9	0.31%	-		-
Blystone, John B. & Julia A.	N/A	6,983,340	10	0.30%	-		-
Renfro FL, Inc.	Manufacturing	-		-	12,128,724	5	0.82%
Springs Mill, Inc.	Manufacturing	-		-	11,744,183	6	0.79%
Clayson Knitting Co., Inc.	Manufacturing	-		-	8,221,517	7	0.55%
Foundry Service, Inc.	Manufacturing	-		-	7,876,118	8	0.53%
Dal-Tile Corp.	Manufacturing	-		-	7,084,129	9	0.48%
Mastercraft Fabrics, LLC	Manufacturing	-		-	6,785,139	10	0.46%
		$ 230,128,943		9.95%	$ 160,731,308		10.82%
Total Assessed Valuation		$ 2,315,646,438			$ 1,487,013,674		

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
2010	N/A	N/A	N/A
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
2002	N/A	N/A	N/A
2001	N/A	N/A	N/A

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections
2010	N/A	N/A
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
2002	N/A	N/A
2001	N/A	N/A

N/A = Not Available

Source: Montgomery County, North Carolina, Annual Financial Report for the year ended June 30, 2010.

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, annual financial reports for the years ended June 30, 2001, June 30, 2002, June 30, 2003, and June 30, 2010 could not be obtained from Montgomery County nor their auditors prior to this report being issued. Therefore, there are only six years of comparative data noted above and Jne 30, 2009 and June 30, 2010 income based information will be shown above as "N/A", and the June 30, 2009 information will be reported for the year ended June 30, 2011, if applicable.

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