



**Scotland County Board of Education
Comprehensive Annual Financial Report**

For the fiscal year ending June 30, 2016

Laurinburg, North Carolina

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*Scotland County Board of Education
Laurinburg, North Carolina*

**Comprehensive Annual
Financial Report
For the Fiscal Year Ended
June 30, 2016**

Prepared by
Jay C. Toland
and the
Finance Department



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Scotland County, North Carolina		
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Introductory Section



322 South Main Street
Laurinburg, North Carolina 28352
(910) 276-1138 • fax (910) 277-4310

November 29, 2016

To the members of the Scotland County Board of Education and Citizens of Scotland County, North Carolina:

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of the Scotland County Board of Education, operating as the "Scotland County Schools," for the fiscal year ended June 30, 2016, is herewith submitted. Responsibility for the accuracy, completeness, and clarity of the report rests with the Superintendent and the Chief Financial Officer.

The report has been prepared by the Finance Department in accordance with generally accepted accounting principles. We believe the data presented is accurate in all material respects and that it is presented in a manner designated to fairly reflect the financial position and results of operations of the Board. All disclosures necessary to enable the reader to gain maximum understanding of the Board's financial activity have been included.

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

REPORTING ENTITY

The Scotland County Board of Education (Board), elected by the citizens of Scotland County, is the level of government having oversight responsibility and control over activities related to the public schools in Scotland County, North Carolina. N.C. General Statutes empower the Scotland County Board of Education with general control and supervision of all matters pertaining to the schools in the system. For the 2015-2016 fiscal year, the school system served approximately 5,800 students from kindergarten through 12th grade in 8 elementary schools, 2 middle schools, 1 high school, and 1 early college. The school system provides general, special, and vocational education services. The school system receives local, State, and federal government funding and must comply with the legal requirements of each funding source entity. While the Board does receive county funding, the county is not entitled to share in any surplus nor is it required to finance any deficits. The Board has no tax levying or borrowing authority and is required to maintain accounting records according to a Uniform State format.

The Board consists of eight members elected for staggered terms of four years. The Chair and Vice Chair are elected by a majority vote of the Board each year. The Superintendent serves as secretary to the Board.

FINANCIAL AND BUDGETARY CONTROL

In order to meet the challenging learning experiences provided to the students attending Scotland County Schools, the Board must use a variety of funding resources, including local, State, federal and private grants while complying with legal requirements of each funding source entity. In doing so, the Board is unable to summarize all governmental financial transactions and balances in one accounting entity. Instead, the accounting system is divided into three separate entities; each referred to as a "fund." The Board's funds are divided into governmental, proprietary, and fiduciary. Each fund is a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with legal requirements, generally accepted accounting principles, special regulations or other limitations. Governmental fund types include general, special revenue and capital projects. The enterprise fund is a proprietary fund type, with the administrative fund being a fiduciary fund type. The enterprise fund and fiduciary fund are presented on a full accrual basis, while the other funds are maintained on a modified accrual basis.

Letter of Transmittal *(continued)*

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. The cost of a control should not exceed the benefits derived, therefore, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

North Carolina General Statutes requires all governmental units in the state to adopt a balanced budget by July 1 of each year. The Board has the final approval over the budget and primary accountability for fiscal matters (including any deficits). Annual budgets are adopted for all funds, except for the administrative fiduciary fund and the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. The Board's annual Budget Resolution authorizes expenditures by purpose on a modified accrual basis. For internal management purposes, the budget is detailed and compared to expenditures and encumbrances by line item within each function and project. The budget amounts reflected in the accompanying financial statements represent the final budgets as amended for the fiscal year. In order to balance the budget for the fiscal year ended June 30, 2016, the Board appropriated \$242,000 of fund balance in the General fund. The Board also uses a purchase order encumbrance system that records and shows encumbrances outstanding against each line item of expenditures. Outstanding encumbrances 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.

MAJOR INITIATIVES

The focus of the school system for the next few years will be:

- Scotland County Schools will produce high performance students;
- Reduce the number of drop outs the district has;
- Increase communication between all stakeholders;
- Focus on data driven instruction;
- Establish curricula in every academic discipline that prepares all students to be college and career ready.
- Ensure a safe and healthy learning environment.
- Reduce the number of out of school suspensions;
- Graduate students career and college ready.

As required by the State Department of Public Instruction, Scotland County Schools maintains a ten-year facilities plan that has been submitted and approved by the County Commissioners and the State Department of Public Instruction.

ECONOMIC CONDITION AND OUTLOOK

The financial health of the Scotland County Board of Education is largely dependent upon the economic prospects of the State of North Carolina and of the County of Scotland. The State of North Carolina has felt the effects of the nationwide financial crisis since the second half of 2008.

Scotland County has a population of approximately 36,000 with very little growth experienced over the past ten years. Over the past decade, Scotland County has lost numerous manufacturing jobs. Several of the largest employers, including State of North Carolina, The Mega Force Staffing Group, and WestPoint Stevens – combined amounting to approximately 3,000 jobs – have ceased operations in Scotland County within the last ten years. Currently, Scotland County Schools and the Scotland Memorial Hospital are the two largest employers in the county.

Letter of Transmittal *(continued)*

Due to the lack of growth within the county, local county appropriations from the Scotland County Board of Commissioners has changed very little over the past five years. With rising healthcare, retirement, and other costs, the Scotland Board of Education has had to find ways to reduce costs in other areas in order to maintain spending on instructional services at a consistent level.

Scotland County Board of Education has experienced a steady decline in student enrollment of approximately 1% per year over the past five years. Due to the economic issues facing Scotland County and lack of growth, the Board expects this trend to continue for the foreseeable future.

INDEPENDENT AUDIT

Anderson Smith & Wike PLLC has audited the financial records and transactions of the Scotland County Board of Education for the year ended June 30, 2016. They are a firm of independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Uniform Guidance and the State Single Audit Implementation Act. The auditors' report is included in the financial section of this report.

FINANCIAL REPORTING AWARDS

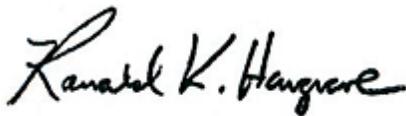
The Government Finance Officers Association of the United States and Canada (GFOA) and the Association of School Business Officials (ASBO) awarded Certificates of Achievement for Excellence in Financial Reporting to the Board for its comprehensive annual financial report for the year ended June 30, 2015. In order to be awarded Certificates of Achievement, the Board published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report in a timely manner could not have been accomplished without the efforts and dedication of the Superintendent's staff, Finance Department, and our independent audit firm. We would like to express appreciation to all staff members who assisted in the preparation of this report. A copy of this report will be made available for public inspection in the Superintendent's office and on our website at www.scotland.k12.nc.us.

Respectfully submitted,



Dr. Ronald K. Hargrave
Superintendent



Jay C. Toland
Chief Financial Officer

***Scotland County Board of Education
Laurinburg, North Carolina***

July 1, 2015 - June 30, 2016

Board Members

Dr. Jeff Byrd, *Chairman*
Darrel "B.J." Gibson, *Vice-Chairman*

Charles Brown
Pat Gates
Jamie Sutherland

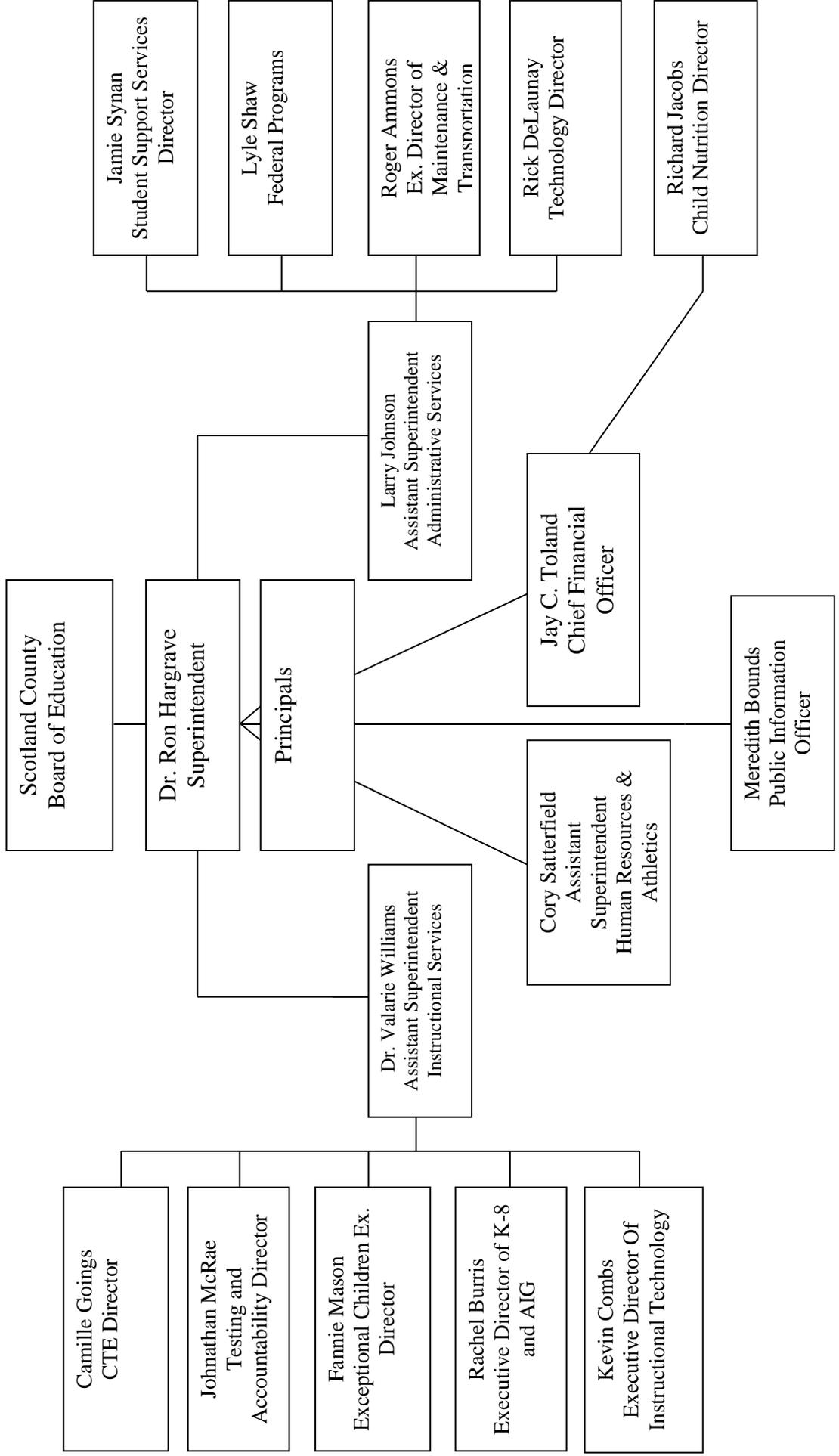
Wayne Cromartie
Dr. Summer Gainey
Raymond Hyatt

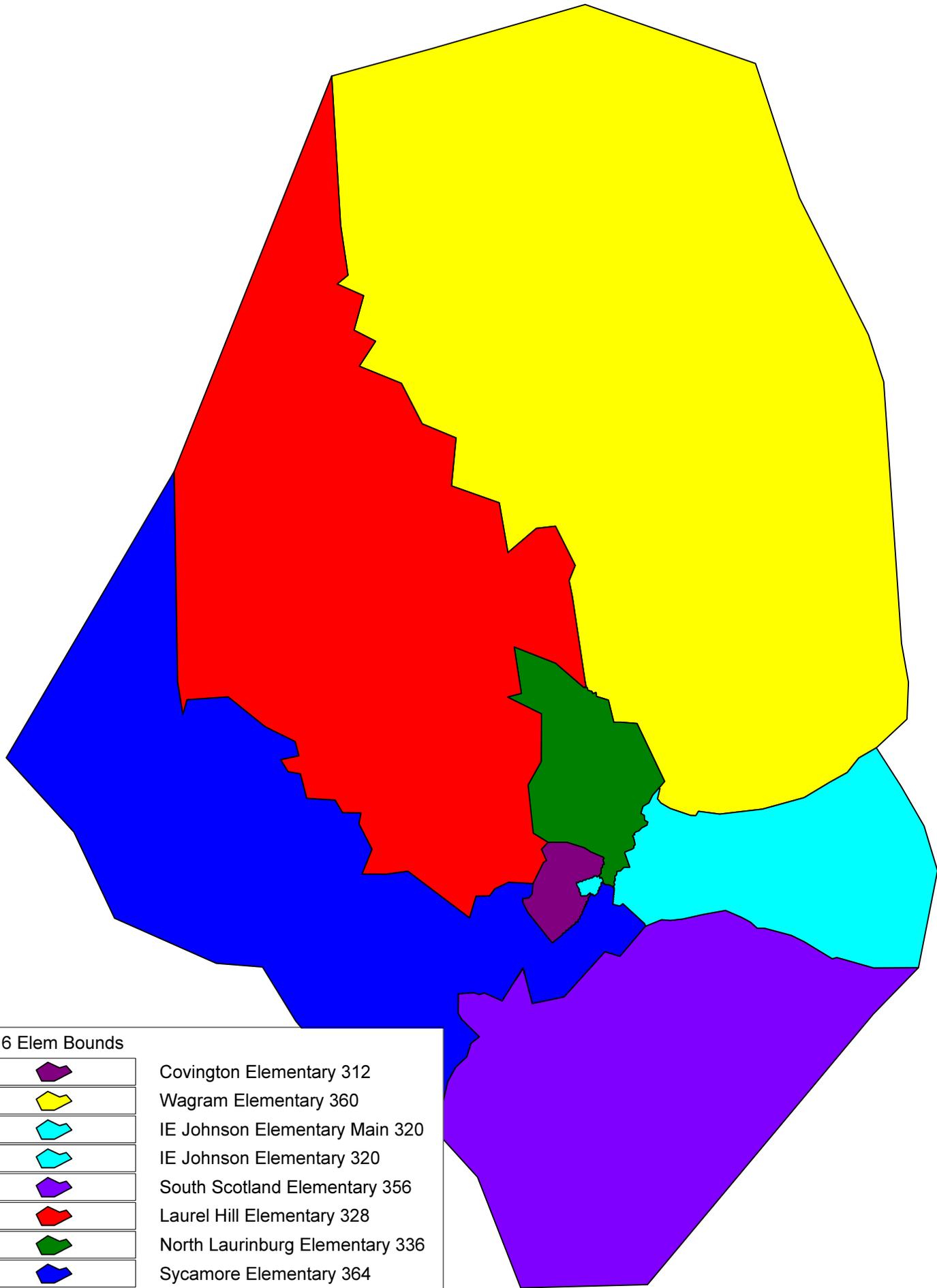
Principal Officers

Dr. Ron Hargrave, *Superintendent*
Larry Johnson, *Assistant Superintendent of Administrative Services*
Dr. Valarie Williams, *Assistant Superintendent of Instructional Services*
Cory Satterfield, *Assistant Superintendent of Human Resources & Athletics*
Jay Toland, *Chief Financial Officer*
Meredith Bounds, *Public Information Officer*
Nick Sojka, *General Counsel*

Scotland County Schools

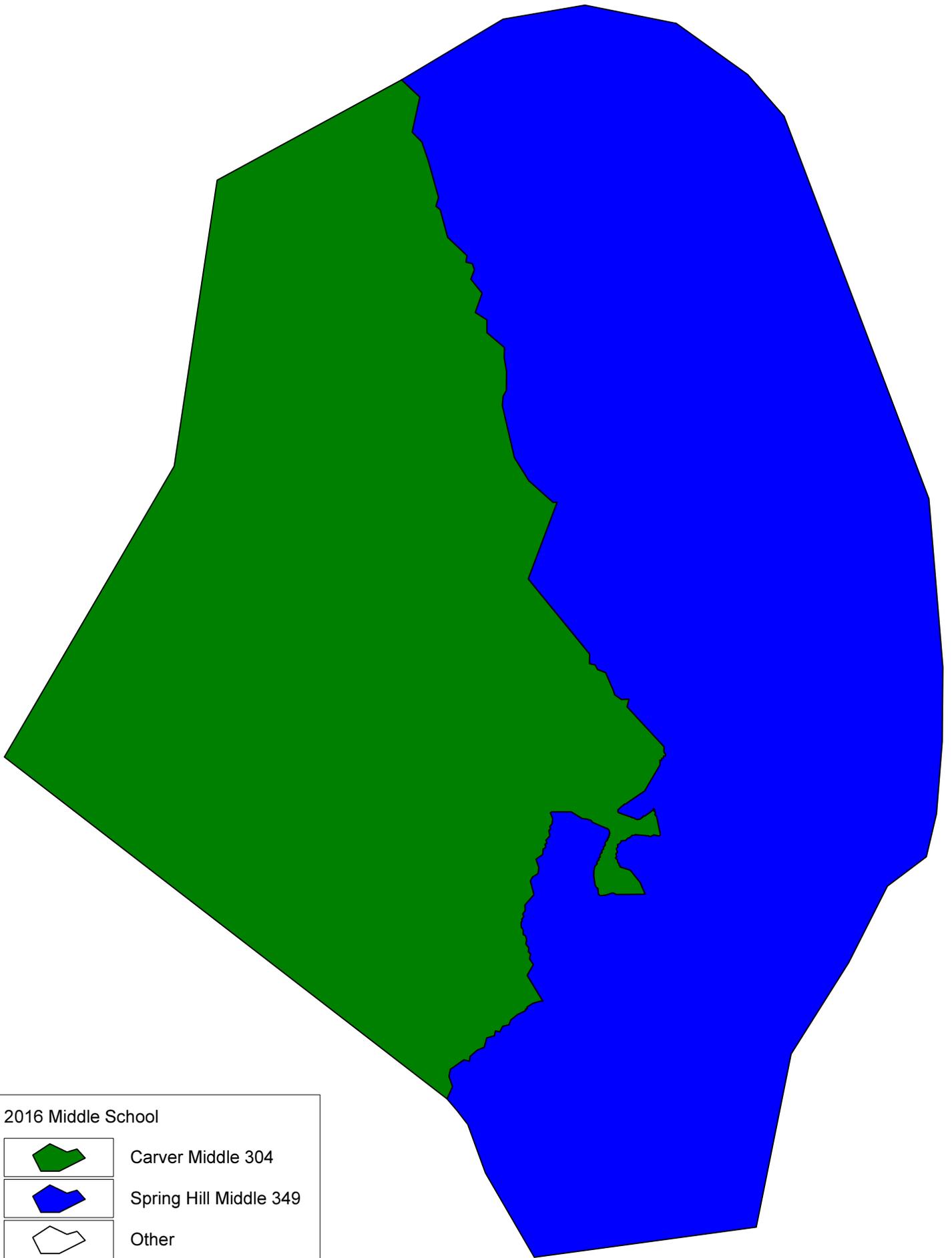
Organizational Structure 2015-2016



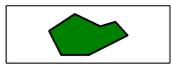


2016 Elem Bounds

	Covington Elementary 312
	Wagram Elementary 360
	IE Johnson Elementary Main 320
	IE Johnson Elementary 320
	South Scotland Elementary 356
	Laurel Hill Elementary 328
	North Laurinburg Elementary 336
	Sycamore Elementary 364
	Other



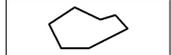
2016 Middle School



Carver Middle 304

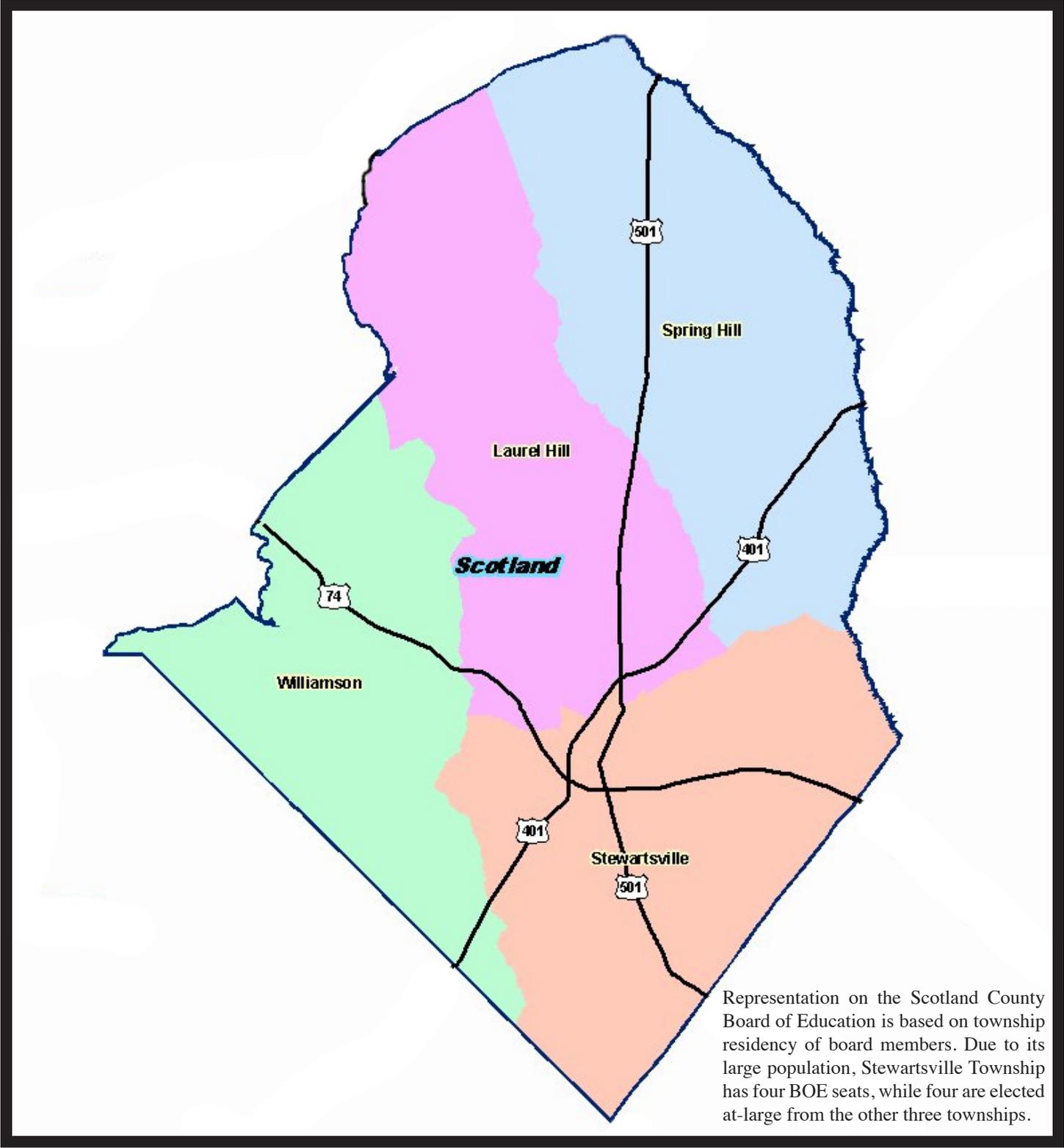


Spring Hill Middle 349



Other

Scotland County Townships



Source: "Scotland County, NC Townships." [map] 1:17693. Scotland County GIS [computer files]. Using: Connect GIS, 2010. Cary, NC. Connect 311, LLC, 2009-10.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Scotland County Board of Education
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting Award
is presented to**

Scotland County Board of Education

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

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



Brenda Burkett

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso

John D. Musso, CAE, RSBA
Executive Director



Financial Section



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Scotland County Board of Education
Laurinburg, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotland County Board of Education, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotland County Board of Education as of June 30, 2016, and the respective changes in financial position and 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 42 and 43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual nonmajor fund schedule and budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund schedule and budgetary schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2016 on our consideration of the Scotland County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scotland County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

September 13, 2016
Rockingham, North Carolina
(910) 997-1418

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Scotland 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, 2016. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

For the fiscal year ended June 30, 2016, the Board's total government-wide net position increased by \$2.2 million, or 9.3%. Governmental activities net position increased by \$2.0 million, or 9.0%, and business-type activities net position increased by \$163,000, or 15.5%.

- Total government-wide net investment in capital assets decreased by \$1.2 million, or 3.6% from the prior year. Governmental activities net investment in capital assets decreased by \$1.3 million, or 3.8%, and business-type activities net investment in capital assets increased by \$29,000, or 12.4%.
- Total restricted net position increased by \$32,000, or 5.5%. Restricted net position is found only in the governmental activities.
- The Board's total government-wide unrestricted net position at June 30, 2016 increased by \$3.4 million over the prior year. Governmental activities unrestricted net position increased by \$3.2 million while business-type activities unrestricted net position increased by \$133,000 over the prior year.
- The Board receives funding from the Scotland County Board of Commissioners under Chapter 707 of the 1963 Session Laws, which was amended by the 2002 General Assembly. For the 2015-2016 fiscal year, the Board of Education received a 2.0% increase in County appropriation.

Overview of the Financial Statements

The audited financial statements of the Scotland 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 schedules and other schedules for governmental and enterprise funds.*

The *Basic Financial Statements* include two types of statements that present different views of the Board's finances. The first is the *Government-wide Statements*. The government-wide statements are presented on the full accrual basis of accounting and include the statement of net position and the statement of activities. The statement of net position includes all of the Board's assets, deferred outflows of resources, liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets, deferred outflows of resources, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary fund and fiduciary fund. 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 and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

Scotland County Board of Education has three 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 funds: 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 Scotland County Board of Education has one proprietary fund - an enterprise fund – the School Food Service Fund.

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

Fiduciary Funds: The Board is the trustee, or fiduciary, for assets that belong to others, such as the Private Purpose Trust Fund. The Board is responsible for ensuring that the assets reported in this fund are used only for their intended purpose and by those to whom the assets belong. The Board excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The fiduciary fund statements are shown as Exhibits 10 and 11.

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

Financial Analysis of the Board as a Whole

Net position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$25.6 million as of June 30, 2016 as compared to \$23.4 million as of June 30, 2015, an increase of \$2.2 million. The largest component of net position is net investment in capital assets of \$32.6 million. Following is a summary of the Statement of Net Position at June 30, 2016 and 2015:

**Table 1
Condensed Statement of Net Position
As of June 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Current assets	\$ 6,493,774	\$ 5,571,305	\$ 1,399,943	\$ 1,325,886	\$ 7,893,717	\$ 6,897,191
Capital assets	32,403,442	33,601,443	264,368	235,240	32,667,810	33,836,683
Total assets	<u>38,897,216</u>	<u>39,172,748</u>	<u>1,664,311</u>	<u>1,561,126</u>	<u>40,561,527</u>	<u>40,733,874</u>
Deferred outflows of resources	3,001,061	3,110,468	92,552	97,801	3,093,613	3,208,269
Current liabilities	4,084,425	4,194,908	147,306	139,591	4,231,731	4,334,499
Long-term liabilities	10,790,886	4,464,812	300,383	113,837	11,091,269	4,578,649
Total liabilities	<u>14,875,311</u>	<u>8,659,720</u>	<u>447,689</u>	<u>253,428</u>	<u>15,323,000</u>	<u>8,913,148</u>
Deferred inflows of resources	2,650,953	11,258,796	95,172	354,004	2,746,125	11,612,800
Net investment in capital assets	32,340,391	33,601,443	264,368	235,240	32,604,759	33,836,683
Restricted net position	611,170	579,378	-	-	611,170	579,378
Unrestricted net position (deficit)	<u>(8,579,548)</u>	<u>(11,816,121)</u>	<u>949,634</u>	<u>816,255</u>	<u>(7,629,914)</u>	<u>(10,999,866)</u>
Total net position	<u>\$ 24,372,013</u>	<u>\$ 22,364,700</u>	<u>\$ 1,214,002</u>	<u>\$ 1,051,495</u>	<u>\$ 25,586,015</u>	<u>\$ 23,416,195</u>

The net position of the Board's governmental activities increased \$2.0 million during the year, from \$22.4 million at June 30, 2015 to \$24.4 million at June 30, 2016, indicating an improvement in the financial condition of the Board. Restricted net position increased by \$32,000 while unrestricted net position increased by \$3.2 million over the prior year. Net investment in capital assets decreased \$1.3 million due to an excess of depreciation expense over capital additions for the year.

The net position of the Board's business-type activities increased \$163,000 during the year. This increase of \$163,000 is the net profit generated by our school food service operations during the 2016 fiscal year.

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

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, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/16	6/30/15	6/30/16	6/30/15	6/30/16	6/30/15
Revenues:						
Program revenues:						
Charges for services	\$ 1,202,753	\$ 1,175,443	\$ 266,872	\$ 252,184	\$ 1,469,625	\$ 1,427,627
Operating grants and contributions	43,973,064	43,901,491	3,652,138	3,611,719	47,625,202	47,513,210
Capital grants and contributions	21,017	185,985	-	-	21,017	185,985
General revenues:						
County appropriations	11,361,367	10,914,325	-	-	11,361,367	10,914,325
State appropriations	3,500,057	3,560,566	-	-	3,500,057	3,560,566
Other revenues	434,706	482,943	10,055	5,613	444,761	488,556
Total revenues	<u>60,492,964</u>	<u>60,220,753</u>	<u>3,929,065</u>	<u>3,869,516</u>	<u>64,422,029</u>	<u>64,090,269</u>
Expenses:						
Governmental activities:						
Instructional services	44,833,837	45,671,388	-	-	44,833,837	45,671,388
System-wide support services	13,531,757	13,124,980	-	-	13,531,757	13,124,980
Ancillary services	12,272	-	-	-	12,272	-
Payments to other governments	18,218	3,087	-	-	18,218	3,087
Unallocated depreciation	44,567	63,611	-	-	44,567	63,611
Business-type activities:						
School food service	-	-	3,811,558	3,730,859	3,811,558	3,730,859
Total expenses	<u>58,440,651</u>	<u>58,863,066</u>	<u>3,811,558</u>	<u>3,730,859</u>	<u>62,252,209</u>	<u>62,593,925</u>
Excess (deficiency)						
before transfers	2,052,313	1,357,687	117,507	138,657	2,169,820	1,496,344
Transfers in (out)	(45,000)	(45,001)	45,000	45,001	-	-
Change in net position	<u>2,007,313</u>	<u>1,312,686</u>	<u>162,507</u>	<u>183,658</u>	<u>2,169,820</u>	<u>1,496,344</u>
Beginning net position,						
as previously reported	22,364,700	34,184,839	1,051,495	1,280,765	23,416,195	35,465,604
Restatement	-	(13,132,825)	-	(412,928)	-	(13,545,753)
Beginning net position, restated	<u>22,364,700</u>	<u>21,052,014</u>	<u>1,051,495</u>	<u>867,837</u>	<u>23,416,195</u>	<u>21,919,851</u>
Ending net position	<u>\$ 24,372,013</u>	<u>\$ 22,364,700</u>	<u>\$ 1,214,002</u>	<u>\$ 1,051,495</u>	<u>\$ 25,586,015</u>	<u>\$ 23,416,195</u>

Total governmental activities generated revenues of \$60.5 million while expenses in this category totaled \$58.4 million for the year ended June 30, 2016, resulting in the aforementioned increase in net position

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

of \$2.0 million (including transfers to business-type activities of \$45,000). Comparatively, revenues were \$60.2 million, expenses totaled \$58.9 million and transfers out were \$45,000 for the year ended June 30, 2015, resulting in an increase in net position of \$1.3 million. In comparing the two years, revenues increased by \$272,000, or 0.5%, while expenses decreased by \$422,000, or 0.7%. Overall, revenues and expenses were comparable to the prior year.

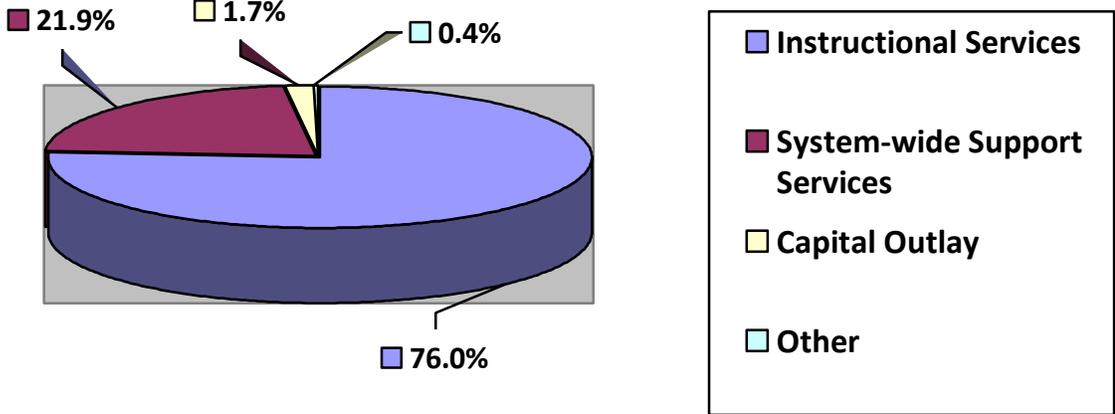
The Board's primary sources of revenues were funding from the State of North Carolina, Scotland County, and the United States Government, which respectively comprised 66.8%, 17.8% and 10.0% of our total governmental activities revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 73.0% of our total expenditures during the most recent fiscal year. Of the remaining 27.0% of our total expenditures, 21.0% was attributable to system-wide support services.

Our business-type activities generated revenues of \$3.9 million, while expenses in this category totaled \$3.8 million for the year ended June 30, 2016. For the year, net position increased by \$163,000, including \$45,000 of transfers from governmental activities. Comparatively, revenues were \$3.9 million, expenses were \$3.7 million and transfers from governmental activities were \$45,000 for the year ended June 30, 2015 for an increase in net position of \$184,000. In comparing the two years, revenues increased \$60,000, or 1.5%, while expenses increased by \$81,000, or 2.2%. Overall, revenues and expenses were comparable to the prior year.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Scotland County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements. The Board's governmental funds reported a combined fund balance of \$4.1 million at June 30, 2016, an increase of \$914,000 over the \$3.1 million reported at June 30, 2015. The Board's General Fund reported an increase in fund balance for the year of \$873,000 while the Capital Outlay Fund reported an increase of \$44,000. The Individual Schools Fund reported a slight decrease of \$2,000. There were no significant changes in revenues or expenditures reported for the Capital Outlay and Individual Schools funds compared to the prior year. See the section below titled *General Fund Budgetary Highlights* for more discussion regarding amounts reported in the General Fund. The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Revenues and expenditures in these two funds remained fairly consistent with the amounts reported in the prior year.

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

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

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported an increase in net position of \$163,000 for the fiscal year ended June 30, 2016 compared to an increase of \$184,000 for the same 2015 period. See the section above titled *Financial Analysis of the Board as a Whole* for more discussion regarding the Board's School Food Service Fund operations for the year ended June 30, 2016.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. The effect of these revisions was to increase the original budget by \$281,000 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 \$873,000. Revenues increased \$394,000, or 2.9% over the prior year while expenditures decreased \$97,000, or 0.7%. Overall, revenues and expenditures were both relatively consistent with the prior year.

Capital Assets

Total primary government capital assets were \$32.7 million at June 30, 2016 compared to \$33.8 million at June 30, 2015, a decrease of 3.5%. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2016 and 2015. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

**Table 3
Summary of Capital Assets
As of June 30, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>
Land	\$ 453,601	\$ 467,029	\$ -	\$ -	\$ 453,601	\$ 467,029
Buildings and improvements	31,105,534	32,319,467	-	-	31,105,534	32,319,467
Equipment and furniture	387,300	148,274	264,368	235,240	651,668	383,514
Vehicles	457,007	666,673	-	-	457,007	666,673
Total	<u>\$ 32,403,442</u>	<u>\$ 33,601,443</u>	<u>\$ 264,368</u>	<u>\$ 235,240</u>	<u>\$ 32,667,810</u>	<u>\$ 33,836,683</u>

Debt Outstanding

During the year, the Board's long-term debt increased to \$63,000 at June 30, 2016. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in Note 2 to the financial statements.

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

County funding is a major source of income for the school district; therefore, the County's economic outlook directly affects that of the school district. Scotland County's economy remains vested in industrial manufacturing. Along with the national and State economy, our local economy has felt the impact of the recent recession. The following factors impact the current economic outlook of Scotland County and the Board of Education:

- Scotland County's unemployment rate continues to be higher than the national and State averages.
- Scotland County Schools continues to lose students. Opposed to losing students to charter and private schools, the decrease is correlated to the overall county population which is following the same basic direction.
- The County Commissioners work diligently to attract manufacturing companies through various incentive programs that are run through the Scotland County Economic Development Program along with the Chamber of Commerce. The focus has been on building an inventory of acreage with the proper sewer, water and fiber capacities that can attract large industrial companies.
- In June of 2015 the Scotland County Board of Education and the Scotland County Board of Commissioners agreed on a three year agreement that deviated from the General Statute mandated funding formula (only binding funding formula in the State of North Carolina) that has been in place since the 1960's. Simply put, the agreement has a 2.25% reduction per year until FY 2018-19, and a stipulation that neither the Board of Education nor the Board of County Commissioners can seek a new general statute to remove the underlying funding formula. Also, for the next three years a funding agreement of \$300,000 per year has been set for capital outlay. An additional list of needs outside of the \$300,000 allotment has been sent to the County Manager from the Superintendent per the five year facility study and other staff observations.
- State mandated raises and the cut of 2.25% discussed in the above paragraph illustrate the necessity for the board of education to use fund balance to balance the budget for 2016-17. Additional budget amendments will appropriate more fund balance due to a provision in House Bill 1030 calling for merit based bonuses for state paid employees that are non-educators only. The Board feels that it is imperative to include all employees that are non-educators in the merit based bonus process regardless of what fund they are paid out of.
- Phase I of consolidation, which closed two elementary schools and one middle school, is viewed as a success. Phase II of consolidation is being discussed by the board of education and the board of commissioners. Phase II consists of adding wings to 2 elementary schools and building an elementary school, then closing 4 existing elementary schools. With the final count of schools going from 3 middle schools to 2 middle schools and 8 elementary schools to 4 elementary schools with both phases of consolidation.

These factors were considered in preparing the Board's budget for the new fiscal year. The Board's budget was created with a focus on protecting instructional program allocations and certified personnel.

Requests for Information

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

Jay Toland, Chief Financial Officer
Scotland County Board of Education
322 South Main Street
Laurinburg, NC 28352

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2016

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,412,439	\$ 1,268,754	\$ 5,681,193
Due from other governments	1,949,407	96,450	2,045,857
Receivables	88,184	12,056	100,240
Internal balances	43,744	(43,744)	-
Inventories	-	66,427	66,427
Capital assets:			
Land	453,601	-	453,601
Other capital assets, net of depreciation	31,949,841	264,368	32,214,209
Total capital assets	<u>32,403,442</u>	<u>264,368</u>	<u>32,667,810</u>
Total assets	<u>38,897,216</u>	<u>1,664,311</u>	<u>40,561,527</u>
Deferred Outflows of Resources	<u>3,001,061</u>	<u>92,552</u>	<u>3,093,613</u>
Liabilities			
Accounts payable and accrued expenses	581,076	16,086	597,162
Accrued salaries and wages payable	1,861,003	71,281	1,932,284
Unearned revenue	-	9,154	9,154
Long-term liabilities:			
Net pension liability	9,020,666	278,194	9,298,860
Due within one year	1,642,346	50,785	1,693,131
Due in more than one year	<u>1,770,220</u>	<u>22,189</u>	<u>1,792,409</u>
Total liabilities	<u>14,875,311</u>	<u>447,689</u>	<u>15,323,000</u>
Deferred Inflows of Resources	<u>2,650,953</u>	<u>95,172</u>	<u>2,746,125</u>
Net position			
Net investment in capital assets	32,340,391	264,368	32,604,759
Restricted for:			
Stabilization by State statute	276,767	-	276,767
School capital outlay	45,054	-	45,054
Individual schools activities	289,349	-	289,349
Unrestricted (deficit)	<u>(8,579,548)</u>	<u>949,634</u>	<u>(7,629,914)</u>
Total net position	<u>\$ 24,372,013</u>	<u>\$ 1,214,002</u>	<u>\$ 25,586,015</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

Exhibit 3

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
Assets						
Cash and cash equivalents	\$ 4,085,595	\$ -	\$ -	\$ 37,495	\$ 289,349	\$ 4,412,439
Due from other governments	144,839	1,541,838	151,171	111,559	-	1,949,407
Accounts receivable	88,184	-	-	-	-	88,184
Due from other funds	43,744	-	-	-	-	43,744
Total assets	\$ 4,362,362	\$ 1,541,838	\$ 151,171	\$ 149,054	\$ 289,349	\$ 6,493,774
Liabilities and Fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 477,076	\$ -	\$ -	\$ 104,000	\$ -	\$ 581,076
Accrued salaries and wages payable	167,994	1,541,838	151,171	-	-	1,861,003
Total liabilities	645,070	1,541,838	151,171	104,000	-	2,442,079
Fund balances:						
Restricted:						
Stabilization by State statute	276,767	-	-	-	-	276,767
School capital outlay	-	-	-	45,054	-	45,054
Individual schools	-	-	-	-	289,349	289,349
Assigned:						
Subsequent year's expenditures	380,872	-	-	-	-	380,872
Unassigned	3,059,653	-	-	-	-	3,059,653
Total fund balances	3,717,292	-	-	45,054	289,349	4,051,695
Total liabilities and fund balances	\$ 4,362,362	\$ 1,541,838	\$ 151,171	\$ 149,054	\$ 289,349	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,403,442
Deferred outflows of resources related to pensions	3,001,061
Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.	(3,412,566)
Net pension liability	(9,020,666)
Deferred inflows of resources related to pensions	(2,650,953)
Net position of governmental activities	\$ 24,372,013

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

Exhibit 4

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
Revenues:						
State of North Carolina	\$ 1,208,620	\$ 39,405,494	\$ -	\$ 122,591	\$ -	\$ 40,736,705
Scotland County:						
Local current expense	10,826,612	-	-	-	-	10,826,612
Other	-	-	-	534,755	-	534,755
U.S. Government	598,136	-	5,467,268	-	-	6,065,404
Other	1,246,620	-	-	340,753	1,195,422	2,782,795
Total revenues	<u>13,879,988</u>	<u>39,405,494</u>	<u>5,467,268</u>	<u>998,099</u>	<u>1,195,422</u>	<u>60,946,271</u>
Expenditures:						
Current:						
Instructional services:						
Regular instructional	2,935,886	21,312,292	288,084	-	-	24,536,262
Special populations	601,791	4,998,759	1,101,866	-	-	6,702,416
Alternative programs	1,411,878	1,744,827	2,631,896	-	-	5,788,601
School leadership	1,033,735	2,348,673	3,246	-	-	3,385,654
Co-curricular	269,383	-	-	-	1,197,659	1,467,042
School-based support	294,500	3,444,451	53,725	-	-	3,792,676
System-wide support services:						
Support and development	725,193	167,419	1,098	-	-	893,710
Special population support and development	260,264	164,981	685,415	-	-	1,110,660
Alternative programs and services support and development	26,651	-	211,123	-	-	237,774
Technology support	137,632	414,884	-	-	-	552,516
Operational support	4,007,224	3,595,786	120,237	-	-	7,723,247
Financial and human resource services	498,268	475,958	208,322	-	-	1,182,548
Accountability	74,541	70,972	-	-	-	145,513
System-wide pupil support	-	62,830	-	-	-	62,830
Policy, leadership and public relations	701,382	557,701	-	-	-	1,259,083
Ancillary services	2,414	961	8,897	-	-	12,272
Non-programmed charges	26,591	-	153,359	-	-	179,950
Debt service:						
Principal retirement	-	-	-	21,017	-	21,017
Capital outlay	-	-	-	1,017,622	-	1,017,622
Total expenditures	<u>13,007,333</u>	<u>39,360,494</u>	<u>5,467,268</u>	<u>1,038,639</u>	<u>1,197,659</u>	<u>60,071,393</u>
Revenues over (under) expenditures	872,655	45,000	-	(40,540)	(2,237)	874,878
Other financing sources (uses):						
Transfers to other funds	-	(45,000)	-	-	-	(45,000)
Installment purchase obligations issued	-	-	-	84,068	-	84,068
Total other financing sources (uses)	-	(45,000)	-	84,068	-	39,068
Net change in fund balance	872,655	-	-	43,528	(2,237)	913,946
Fund balances:						
Beginning of year	<u>2,844,637</u>	<u>-</u>	<u>-</u>	<u>1,526</u>	<u>291,586</u>	<u>3,137,749</u>
End of year	<u>\$ 3,717,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,054</u>	<u>\$ 289,349</u>	<u>\$ 4,051,695</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
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, 2016

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 913,946
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.	(1,067,053)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	3,001,061
Proceeds from the sale of capital assets are recorded as revenues in the fund statements but not in the statement of activities.	(50,000)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(63,051)
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	
Pension expense	(645,101)
Compensated absences	(1,541)
Loss on disposal of capital assets	<u>(80,948)</u>
Total changes in net position of governmental activities	<u>\$ 2,007,313</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2016

Exhibit 6

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 1,238,295	\$ 1,238,295	\$ 1,208,620	\$ (29,675)
Scotland County	10,826,612	10,826,612	10,826,612	-
U.S. Government	606,488	646,488	598,136	(48,352)
Other	816,418	1,057,760	1,246,620	188,860
Total revenues	<u>13,487,813</u>	<u>13,769,155</u>	<u>13,879,988</u>	<u>110,833</u>
Expenditures:				
Current:				
Instructional services	8,040,490	7,400,983	6,547,173	853,810
System-wide support services	5,480,905	6,580,538	6,431,155	149,383
Ancillary services	-	2,500	2,414	86
Non-programmed charges	8,418	27,134	26,591	543
Total expenditures	<u>13,529,813</u>	<u>14,011,155</u>	<u>13,007,333</u>	<u>1,003,822</u>
Revenues over (under) expenditures	(42,000)	(242,000)	872,655	1,114,655
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>42,000</u>	<u>242,000</u>	-	<u>(242,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	872,655	<u>\$ 872,655</u>
Fund balances:				
Beginning of year			<u>2,844,637</u>	
End of year			<u>\$ 3,717,292</u>	

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

SCOTLAND 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, 2016

	State Public School Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 37,326,954	\$ 41,488,312	\$ 39,405,494	\$ (2,082,818)
Scotland County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>37,326,954</u>	<u>41,488,312</u>	<u>39,405,494</u>	<u>(2,082,818)</u>
Expenditures:				
Current:				
Instructional services	32,397,181	35,696,697	33,849,002	1,847,695
System-wide support services	4,883,614	5,745,456	5,510,531	234,925
Ancillary services	1,159	1,159	961	198
Non-programmed charges	-	-	-	-
Total expenditures	<u>37,281,954</u>	<u>41,443,312</u>	<u>39,360,494</u>	<u>2,082,818</u>
Revenues over (under) expenditures	45,000	45,000	45,000	-
Other financing uses:				
Transfers to other funds	(45,000)	(45,000)	(45,000)	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

SCOTLAND 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, 2016

	Federal Grants Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Scotland County	-	-	-	-
U.S. Government	1,759,176	6,185,304	5,467,268	(718,036)
Other	-	-	-	-
Total revenues	<u>1,759,176</u>	<u>6,185,304</u>	<u>5,467,268</u>	<u>(718,036)</u>
Expenditures:				
Current:				
Instructional services	991,161	4,213,855	4,078,817	135,038
System-wide support services	714,870	1,394,383	1,226,195	168,188
Ancillary services	-	8,897	8,897	-
Nonprogrammed charges	<u>53,145</u>	<u>568,169</u>	<u>153,359</u>	<u>414,810</u>
Total expenditures	<u>1,759,176</u>	<u>6,185,304</u>	<u>5,467,268</u>	<u>718,036</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2016

Exhibit 7

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,268,754
Due from other governments	96,450
Receivables	12,056
Inventories	66,427
Total current assets	<u>1,443,687</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>264,368</u>
Total assets	<u>1,708,055</u>
Deferred Outflows of Resources	<u>92,552</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	16,086
Accrued salaries and wages payable	71,281
Due to other funds	43,744
Compensated absences	50,785
Unearned revenue	9,154
Total current liabilities	<u>191,050</u>
Noncurrent liabilities:	
Net pension liability	278,194
Compensated absences	22,189
Total noncurrent liabilities	<u>300,383</u>
Total liabilities	<u>491,433</u>
Deferred Inflows of Resources	<u>95,172</u>
Net position	
Net investment in capital assets	264,368
Unrestricted	949,634
Total net position	<u>\$ 1,214,002</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2016

Exhibit 8

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Operating revenues:	
Food sales	\$ 266,872
Other	1,921
Total operating revenues	<u>268,793</u>
Operating expenses:	
Food cost:	
Purchase of food	1,121,921
Donated commodities	256,173
Salaries and benefits	1,845,258
Indirect costs	241,575
Materials and supplies	132,550
Repairs and maintenance	30,066
Depreciation	63,658
Non-capitalized equipment	33,735
Contracted services	66,409
Other	20,213
Total operating expenses	<u>3,811,558</u>
Operating loss	<u>(3,542,765)</u>
Nonoperating revenues:	
Federal reimbursements	3,395,965
Federal commodities	256,173
Interest earned	3,852
Gain on disposal of capital assets	4,282
Total nonoperating revenues	<u>3,660,272</u>
Income before transfers	117,507
Transfers from other funds	<u>45,000</u>
Change in net position	162,507
Net position, beginning of year	<u>1,051,495</u>
Net position, end of year	<u>\$ 1,214,002</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2016

Exhibit 9

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 254,520
Cash paid for goods and services	(1,622,941)
Cash paid to employees for services	(1,873,111)
Other operating revenue	1,921
Net cash used by operating activities	<u>(3,239,611)</u>
Cash flows from noncapital financing activities:	
Due to other funds	(40,889)
Federal and State reimbursements	3,449,456
Net cash provided by noncapital financing activities	<u>3,408,567</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(92,786)
Proceeds from sale of capital assets	4,282
Net cash used by capital and related financing activities	<u>(88,504)</u>
Cash flows from investing activities:	
Interest earned on investments	3,852
Net increase in cash and cash equivalents	84,304
Cash and cash equivalents, beginning of year	1,184,450
Cash and cash equivalents, end of year	<u>\$ 1,268,754</u>
Reconciliation of operating loss to net cash used	
by operating activities:	
Operating loss	\$ (3,542,765)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Depreciation	63,658
Donated commodities	256,173
Salaries paid by other funds	45,000
Changes in assets and liabilities:	
Increase in accounts receivable	(12,056)
Decrease in inventories	9,701
Increase in accounts payable and accrued liabilities	13,827
Decrease in accrued salaries and wages payable	(7,816)
Decrease in unearned revenue	(296)
Increase in net pension liability	187,697
Decrease in deferred outflows	5,249
Decrease in deferred inflows	(258,832)
Increase in compensated absences payable	849
Total adjustments	<u>303,154</u>
Net cash used by operating activities	<u>\$ (3,239,611)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$256,173 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$45,000 to administrative personnel of the School Food Service Fund during the fiscal year. The payments are reflected as a transfer in and an operating expense on Exhibit 8.

The School Food Service Fund reported a gain on disposal of capital assets of \$4,282.

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

**SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2016**

Exhibit 10

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ <u>188,454</u>
Liabilities	
Accounts payable and accrued liabilities	\$ <u>-</u>
Net position	
Assets held in trust for private purpose	\$ <u><u>188,454</u></u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2016

Exhibit 11

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions and other revenue	\$ 1,383
Deductions:	
Instructional costs	<u>8,000</u>
Change in net position	(6,617)
Beginning net position	<u>195,071</u>
Ending net position	<u>\$ 188,454</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Scotland 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 Scotland 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 Scotland County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. 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, including its fiduciary fund. Separate statements for each fund category – *governmental, proprietary and fiduciary* – 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. The fiduciary fund is presented separately.

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.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 Scotland County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds as well as certain State assistance.

The Board reports the following nonmajor governmental fund:

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

Private Purpose Trust Fund. The Private Purpose Trust Fund is used to account for scholarship money under the control of the Board for the benefit of students in the County.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the administrative fiduciary fund and the individual schools special

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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 Board has authorized the Superintendent to transfer amounts within a purpose code within a fund with proper justification. The Superintendent may not transfer any amounts between funds or from any contingency appropriation within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change purpose appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Inventories

The inventories of the Board are valued at cost and the Board uses the first-in, first-out (FIFO) flow assumption in determining cost. Proprietary Fund inventories consist of food and supplies and are recorded as expenses when consumed.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

4. Capital Assets

Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation or forfeiture. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

Scotland County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

	<u>Years</u>
Buildings and improvements	15 - 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. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has one item that meets this criterion – contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meets this criterion – pension related deferrals.

6. Long-term Obligations

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

7. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2016 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

8. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 115C-425(a)].

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

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

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

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

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

9. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$20,320,318 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 66,007,350
Less accumulated depreciation	<u>(33,603,908)</u>
Net capital assets	32,403,442
Pension related deferred outflows of resources:	
Contributions made to the pension plan in the current fiscal year	3,001,061
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	(63,051)
Compensated absences	(3,349,515)
Net pension liability	(9,020,666)
Deferred inflows of resources related to pensions:	
Differences between contributions and proportional share of contributions and changes in proportion	(661,007)
Differences between expected and actual experience	(1,025,649)
Difference between projected and actual earnings on plan investments	<u>(964,297)</u>
Total adjustment	<u>\$ 20,320,318</u>

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$1,093,367 as follows:

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 436,315
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	(1,503,368)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it only affects the government-wide statement of net position	(84,068)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	21,017
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,001,061
Proceeds from the sale of capital assets are recorded as revenues in the fund Statements but not in the Statement of Activities	(50,000)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(645,101)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(1,541)
Loss on disposal of capital assets	<u>(80,948)</u>
Total adjustment	<u>\$ 1,093,367</u>

10. Defined Benefit Pension Plans

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity’s name. The

**SCOTLAND COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2016**

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, 2016, the Board had deposits with banks and savings and loans with a carrying amount of \$4,397,538 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$4,654,627 and (\$5,844), respectively. Of these balances, \$548,794 was covered by federal depository insurance and \$4,099,989 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2016, the Board had \$1,472,109 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The Board has no policy for managing interest rate, credit, concentration or foreign currency risks.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2016 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 43,744	\$ 144,839	\$ 88,184	\$ 276,767
Other governmental activities	-	1,804,568	-	1,804,568
Total governmental activities	\$ 43,744	\$ 1,949,407	\$ 88,184	\$ 2,081,335
Business-type activities:				
School Food Service Fund	\$ (43,744)	\$ 96,450	\$ 12,056	\$ 64,762

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 144,839	Federal and State grant funds
State Public School Fund	1,541,838	Operating funds from DPI
Federal Grants Fund	151,171	Federal grants funds
Capital Outlay Fund	111,559	Amounts due from County
Total	\$ 1,949,407	
Business-type activities:		
School Food Service Fund	\$ 96,450	Federal funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 467,029	\$ -	\$ 13,428	\$ 453,601
Capital assets being depreciated:				
Buildings and improvements	56,640,753	68,654	557,258	56,152,149
Equipment and furniture	2,227,541	283,593	-	2,511,134
Vehicles	8,712,885	84,068	1,906,487	6,890,466
Total capital assets being depreciated	<u>67,581,179</u>	<u>436,315</u>	<u>2,463,745</u>	<u>65,553,749</u>
Less accumulated depreciation for:				
Buildings and improvements	24,321,286	1,165,067	439,738	25,046,615
Equipment and furniture	2,079,267	44,567	-	2,123,834
Vehicles	8,046,212	293,734	1,906,487	6,433,459
Total accumulated depreciation	<u>34,446,765</u>	<u>1,503,368</u>	<u>2,346,225</u>	<u>33,603,908</u>
Total capital assets being depreciated, net	<u>33,134,414</u>			<u>31,949,841</u>
Governmental activity capital assets, net	<u>\$33,601,443</u>			<u>\$32,403,442</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment, furniture and vehicles	\$ 1,133,814	\$ 92,786	\$ 29,642	\$ 1,196,958
Less accumulated depreciation for:				
Equipment, furniture and vehicles	898,574	63,658	29,642	932,590
School Food Service capital assets, net	<u>\$ 235,240</u>			<u>\$ 264,368</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,165,067
System-wide support services	293,734
Unallocated depreciation	<u>44,567</u>
Total	<u>\$ 1,503,368</u>

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B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

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

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2016, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee

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contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$3,093,613 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Board reported a liability of \$9,298,860 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At both June 30, 2015 and June 30, 2014, the Board's proportion was .25%.

For the year ended June 30, 2016, the Board recognized pension expense of \$671,767. At June 30, 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,057,282
Net difference between projected and actual earnings on pension plan investments	-	1,007,453
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	681,390
Board contributions subsequent to the measurement date	3,093,613	-
Total	\$ 3,093,613	\$ 2,746,125

\$3,093,613 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2017	\$ (1,452,906)
2018	(1,452,906)
2019	(1,365,344)
2020	1,525,031
2021	-
Thereafter	-
Total	\$ (2,746,125)

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Actuarial Assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily

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required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 27,987,003	\$ 9,298,860	\$ (6,560,184)

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

b. Other Postemployment Benefits

Healthcare Benefits

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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, 2016, 2015 and 2014, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,896,762, \$1,918,237 and \$1,828,656, respectively. These contributions represented 5.60%, 5.49% and 5.40% 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

SCOTLAND COUNTY BOARD OF EDUCATION
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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, 2016, 2015 and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$138,870, \$143,256 and \$149,002, respectively. These contributions represented 0.41%, 0.41% and 0.44% of covered payroll, respectively.

2. Accounts Payable

Accounts payable as of June 30, 2016 are as follows:

	<u>Vendors and Other</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 477,076	\$ 167,994	\$ 645,070
Other governmental activities	<u>104,000</u>	<u>1,693,009</u>	<u>1,797,009</u>
Total governmental activities	<u>\$ 581,076</u>	<u>\$ 1,861,003</u>	<u>\$ 2,442,079</u>
Business-type activities:			
School Food Service Fund	<u>\$ 16,086</u>	<u>\$ 71,281</u>	<u>\$ 87,367</u>

3. Unearned Revenues

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

Business-type activities:		
Prepayments of meals (School Food Service Fund)		<u>\$ 9,154</u>

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

4. Deferred Outflows and Inflows of Resources

The balances in deferred outflows and inflows of resources at year-end are composed of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,057,282
Net difference between projected and actual earnings on pension plan investments	-	1,007,453
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	681,390
Board contributions subsequent to the measurement date	<u>3,093,613</u>	<u>-</u>
Total	<u>\$ 3,093,613</u>	<u>\$ 2,746,125</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim. The Trust has an annual aggregate limit for both general liability and errors and omissions of \$3,150,000 each. The Trust is reinsured through commercial companies for losses in excess of \$150,000 per claim for errors and omissions and general liability coverage. Statutory workers' compensation coverage is purchased through a private insurer for employees to the extent they are paid from Federal and local funds. Workers' compensation coverage is provided by the State of North Carolina through a self-insured fund, to the extent employees are paid from State funds. The Board also participates in the Public School Insurance Fund (the Fund), a voluntary, self-insured risk control and risk financing fund administered by the North Carolina Department of Public Instruction. The Fund insures the tangible property assets of the Board. Coverage is provided on an "all risk" perils contract. Buildings and contents are insured on a replacement cost basis. The Fund purchases excess reinsurance to protect the assets of the Fund in the event of a catastrophic event. The Fund maintains a self-insured retention of \$10 million. Excess reinsurance is purchased through commercial insurers. A limit of \$5 million per occurrence is provided on flood, earthquake, business interruption and extra expense. \$10 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 \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

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

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the 2015-2016 fiscal year, the Board entered into such a financing contract for the purchase of a school bus. The financing contract requires four equal principal-only payments of \$21,017 with the first payment due within 10 days of receipt of the bus and the following 3 payments due on the next 3 immediately following November 15th dates. The future minimum payments of the installment purchases as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u> <u>Principal</u>
2017	\$ 21,017
2018	21,017
2019	<u>21,017</u>
Total	<u>\$ 63,051</u>

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, 2016:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ -	\$ 84,068	\$ 21,017	\$ 63,051	\$ 21,017
Net pension liability	2,878,190	6,142,476	-	9,020,666	-
Compensated absences	<u>3,347,974</u>	<u>2,140,075</u>	<u>2,138,534</u>	<u>3,349,515</u>	<u>1,621,329</u>
Total	<u>\$ 6,226,164</u>	<u>\$ 8,366,619</u>	<u>\$ 2,159,551</u>	<u>\$ 12,433,232</u>	<u>\$ 1,642,346</u>
Business-type activities:					
Net pension liability	\$ 90,497	\$ 187,697	\$ -	\$ 278,194	\$ -
Compensated absences	<u>72,125</u>	<u>78,283</u>	<u>77,434</u>	<u>72,974</u>	<u>50,785</u>
Total	<u>\$ 162,622</u>	<u>\$ 265,980</u>	<u>\$ 77,434</u>	<u>\$ 351,168</u>	<u>\$ 50,785</u>

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

**SCOTLAND COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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C. Interfund Balances and Activity

1. Transfers to/from other Funds

From the State Public School Fund to the School Food Service Fund
 for administrative costs \$ 45,000

2. Interfund Balances

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	<u>\$ 43,744</u>

The amount due to the General Fund from the School Food Service Fund is for workers compensation insurance owed for the 2015 – 2016 fiscal year. This amount is expected to be paid prior to June 30, 2017.

D. Fund Balance

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

Total fund balance - General Fund	\$ 3,717,292
Less:	
Stabilization by State statute	(276,767)
Appropriated fund balance in 2016-2017 budget	<u>(380,872)</u>
Remaining fund balance	<u>\$ 3,059,653</u>

NOTE 3 - 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.

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.252%	0.253%	0.272%
Board's proportionate share of the net pension liability (asset)	\$ 9,298,860	\$ 2,968,687	\$ 16,494,959
Board's covered-employee payroll	\$ 35,063,051	\$ 33,761,157	\$ 36,618,454
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.52%	8.79%	45.05%
Plan fiduciary net position as a percentage of the total pension liability	94.64%	98.24%	90.60%

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,093,613	\$ 3,208,269	\$ 2,933,845
Contributions in relation to the contractually required contribution	<u>3,093,613</u>	<u>3,208,269</u>	<u>2,933,845</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 33,809,978	\$ 35,063,051	\$ 33,761,157
Contributions as a percentage of covered-employee payroll	9.15%	9.15%	8.69%

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

SCOTLAND 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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
NC Pre- Kindergarten Program	\$ 1,238,295	\$ 1,208,620	\$ (29,675)
Scotland County:			
County appropriation	10,826,612	10,826,612	-
U.S. Government:			
Gear Up NC Grant	240,887	193,465	(47,422)
Indian Education	197,653	194,145	(3,508)
Workforce Investment Act	181,948	166,929	(15,019)
ROTC	26,000	43,597	17,597
Total U.S. Government	646,488	598,136	(48,352)
Other:			
Interest earned on investment	25,000	6,279	(18,721)
Indirect costs allocated	400,000	403,307	3,307
Private grants and programs	-	2,250	2,250
Rental of school property	8,000	7,331	(669)
Medicaid and other reimbursements	569,760	692,029	122,269
Miscellaneous	55,000	135,424	80,424
Total other	1,057,760	1,246,620	188,860
Total revenues	13,769,155	13,879,988	110,833
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	2,935,886	-
Special populations	-	601,791	-
Alternative programs	-	1,411,878	-
School leadership	-	1,033,735	-
Co-curricular	-	269,383	-
School-based support	-	294,500	-
Total instructional services	7,400,983	6,547,173	853,810

SCOTLAND 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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
System-wide support services:			
Support and development	-	725,193	-
Special population support and development	-	260,264	-
Alternative programs and services support and development	-	26,651	-
Technology support	-	137,632	-
Operational support	-	4,007,224	-
Financial and human resource services	-	498,268	-
Accountability	-	74,541	-
Policy, leadership and public relations	-	701,382	-
Total system-wide support services	<u>6,580,538</u>	<u>6,431,155</u>	<u>149,383</u>
Ancillary services:			
Community	<u>2,500</u>	<u>2,414</u>	<u>86</u>
Non-programmed charges			
Payments to other governments	<u>27,134</u>	<u>26,591</u>	<u>543</u>
Total expenditures	<u>14,011,155</u>	<u>13,007,333</u>	<u>1,003,822</u>
Revenues over (under) expenditures	(242,000)	872,655	1,114,655
Fund balance appropriated	<u>242,000</u>	-	<u>(242,000)</u>
Net change in fund balance	<u>\$ -</u>	872,655	<u>\$ 872,655</u>
Fund balance:			
Beginning of year		<u>2,844,637</u>	
End of year		<u>\$ 3,717,292</u>	

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2016

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2015	Fund balances June 30, 2016
Scotland High	\$ 572,014	\$ 558,170	\$ 13,844	\$ 116,949	\$ 130,793
Carver Middle	130,542	118,156	12,386	13,249	25,635
Spring Hill Middle	147,021	138,176	8,845	18,465	27,310
Sycamore Lane Middle	65,995	71,722	(5,727)	10,159	4,432
I. Ellis Johnson Elementary	8,864	8,031	833	13,319	14,152
Covington Street Primary	50,385	49,562	823	15,968	16,791
Laurel Hill Elementary	54,859	55,519	(660)	7,765	7,105
North Laurinburg Elementary	24,038	23,579	459	4,767	5,226
Pate-Gardner Elementary	-	13,265	(13,265)	13,265	-
South Scotland Elementary	57,582	70,006	(12,424)	40,536	28,112
Wagram Elementary	60,994	62,153	(1,159)	8,580	7,421
Washington Park Elementary	-	10,283	(10,283)	10,283	-
Shaw Academy	949	1,237	(288)	717	429
Scotland Early College	<u>22,179</u>	<u>17,800</u>	<u>4,379</u>	<u>17,564</u>	<u>21,943</u>
Totals	<u>\$ 1,195,422</u>	<u>\$ 1,197,659</u>	<u>\$ (2,237)</u>	<u>\$ 291,586</u>	<u>\$ 289,349</u>

SCOTLAND 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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 21,017	\$ 21,017	\$ -
Public School Capital Fund - Lottery	400,000	101,574	(298,426)
Total State of North Carolina	421,017	122,591	(298,426)
Scotland County:			
County appropriations	534,755	534,755	-
Other:			
Fines and forfeitures	175,000	183,732	8,732
Proceeds from disposal of capital assets	50,000	50,000	-
Activity bus replacement revenue	-	107,021	107,021
Total other	225,000	340,753	115,753
Total revenues	1,180,772	998,099	(182,673)
Expenditures:			
Debt service:			
Principal retirement	21,017	21,017	-
Capital outlay:			
Buildings and improvements:			
Scotland High HVAC - Lottery	-	101,574	-
Other real property and buildings	-	785,288	-
Furnishings and equipment	-	46,692	-
Buses and motor vehicles	-	84,068	-
Total capital outlay	1,243,823	1,017,622	226,201
Total expenditures	1,264,840	1,038,639	226,201
Revenues under expenditures	(84,068)	(40,540)	43,528
Other financing sources:			
Installment purchase obligations issued	84,068	84,068	-
Net change in fund balance	\$ -	43,528	\$ 43,528
Fund balance:			
Beginning of year		1,526	
End of year		\$ 45,054	

SCOTLAND 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, 2016

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Food sales	\$ 629,200	\$ 266,872	\$ (362,328)
Other	500	1,921	1,421
Total operating revenues	<u>629,700</u>	<u>268,793</u>	<u>(360,907)</u>
Operating expenditures:			
Business support services:			
Purchase of food	-	1,112,220	-
Donated commodities	-	256,173	-
Salaries and benefits	-	1,920,793	-
Indirect costs	-	241,575	-
Materials and supplies	-	132,550	-
Repairs and maintenance	-	30,066	-
Non-capitalized equipment	-	33,735	-
Contracted services	-	66,409	-
Other	-	20,213	-
Capital outlay	-	92,786	-
Total operating expenditures	<u>4,357,700</u>	<u>3,906,520</u>	<u>451,180</u>
Operating loss	<u>(3,728,000)</u>	<u>(3,637,727)</u>	<u>90,273</u>
Nonoperating revenues:			
Federal reimbursements	3,356,500	3,395,965	39,465
Federal commodities	370,000	256,173	(113,827)
Interest earned	1,500	3,852	2,352
Total nonoperating revenues	<u>3,728,000</u>	<u>3,655,990</u>	<u>(72,010)</u>
Excess of revenues over expenditures before other financing sources	-	18,263	18,263
Other financing sources:			
Transfers from other funds	-	45,000	45,000
Net change in fund balance	<u>\$ -</u>	<u>63,263</u>	<u>\$ 63,263</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(63,658)	
Net pension liability		(187,697)	
Deferred outflows - pension		5,249	
Deferred inflows - pension		258,832	
Equipment purchases		92,786	
Gain on disposal of capital assets		4,282	
Increase in compensated absences payable		(849)	
Decrease in inventories		(9,701)	
Change in net position (full accrual)		<u>\$ 162,507</u>	



Statistical Section

STATISTICAL SECTION **(Unaudited)**

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

Sections

Financial Trends

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

Revenue Capacity

Since the District's local revenues are primarily provided by Scotland County, these schedules on the county's revenue sources are relevant to an understanding of Scotland 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 Scotland provides significant funding to the school system. Selected fiscal data from the County of Scotland 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.

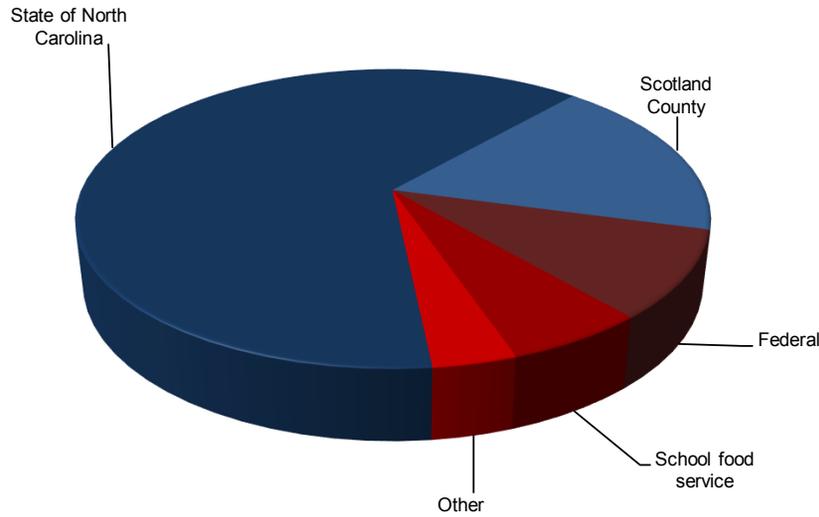
Operating Information

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.



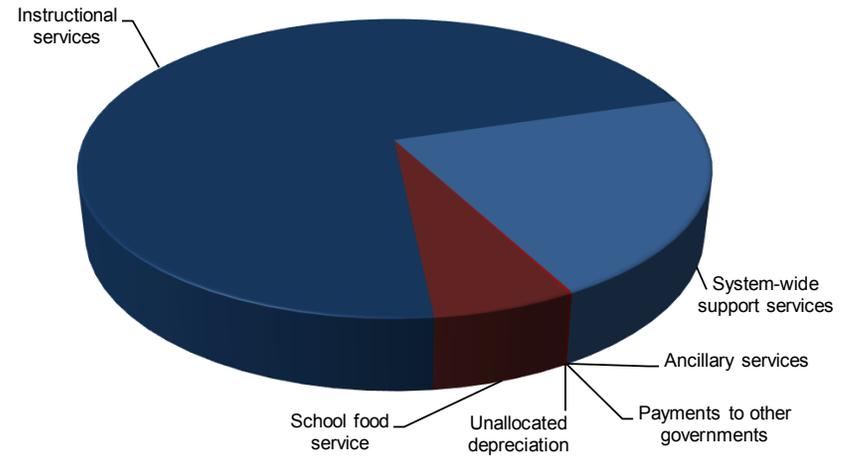
SCOTLAND COUNTY BOARD OF EDUCATION
Financial Perspective
Governmental and Business-type Activities
For Year Ended June 30, 2016

Revenue Sources



State of North Carolina	\$	40,736,705
Scotland County		11,361,367
Federal		6,065,404
School food service		3,929,065
Other		2,329,488
<hr/>		
Total revenue sources	\$	<u>64,422,029</u>

Expenses



Instructional services	\$	44,833,837
System-wide support services		13,531,757
Ancillary services		12,272
Payments to other governments		18,218
Unallocated depreciation		44,567
School food service		3,811,558
<hr/>		
Total expenses	\$	<u>62,252,209</u>

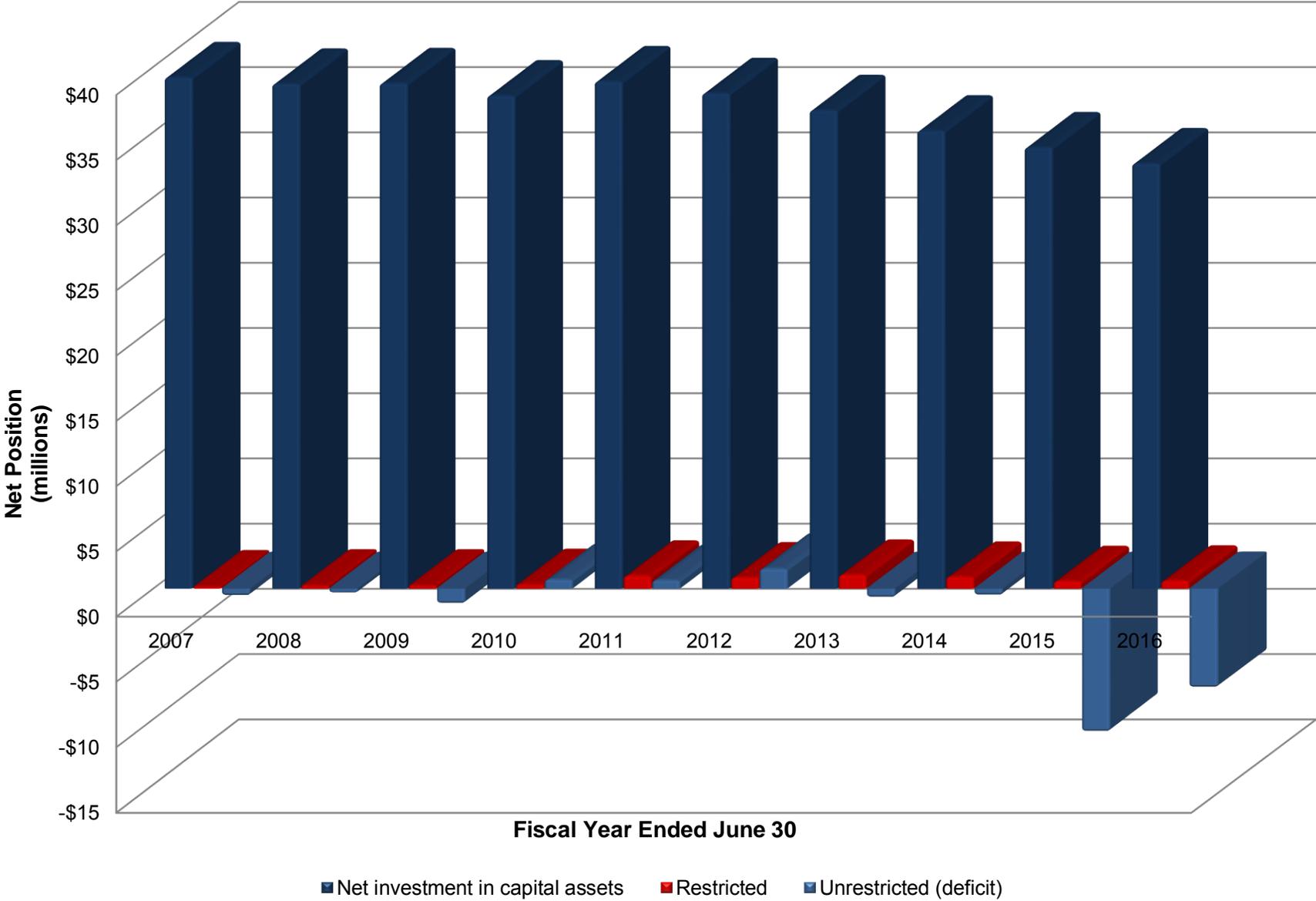
SCOTLAND COUNTY BOARD OF EDUCATION
Net Position by Component
Last Ten Fiscal Years

Year Ended June 30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Net investment in capital assets	\$ 38,815,374	\$ 38,385,595	\$ 38,443,906	\$ 37,486,907	\$ 38,611,421	\$ 37,708,562	\$ 36,438,455	\$ 34,888,790	\$ 33,601,443	\$ 32,340,391
Restricted	187,006	271,093	273,640	323,558	991,395	860,894	1,060,468	910,996	579,378	611,170
Unrestricted (deficit)	(1,259,780)	(1,084,697)	(1,845,038)	(35,736)	(134,957)	748,079	(1,634,895)	(1,614,947)	(11,816,121)	(8,579,548)
	<u>\$ 37,742,600</u>	<u>\$ 37,571,991</u>	<u>\$ 36,872,508</u>	<u>\$ 37,774,729</u>	<u>\$ 39,467,859</u>	<u>\$ 39,317,535</u>	<u>\$ 35,864,028</u>	<u>\$ 34,184,839</u>	<u>\$ 22,364,700</u>	<u>\$ 24,372,013</u>
Business-type activities:										
Invested in capital assets	\$ 395,026	\$ 318,474	\$ 305,023	\$ 324,314	\$ 282,478	\$ 281,373	\$ 246,665	\$ 232,211	\$ 235,240	\$ 264,368
Unrestricted	659,804	704,060	647,524	753,847	791,323	793,317	897,384	1,048,554	816,255	949,634
	<u>\$ 1,054,830</u>	<u>\$ 1,022,534</u>	<u>\$ 952,547</u>	<u>\$ 1,078,161</u>	<u>\$ 1,073,801</u>	<u>\$ 1,074,690</u>	<u>\$ 1,144,049</u>	<u>\$ 1,280,765</u>	<u>\$ 1,051,495</u>	<u>\$ 1,214,002</u>
District-wide:										
Net investment in capital assets	\$ 39,210,400	\$ 38,704,069	\$ 38,748,929	\$ 37,811,221	\$ 38,893,899	\$ 37,989,935	\$ 36,685,120	\$ 35,121,001	\$ 33,836,683	\$ 32,604,759
Restricted	187,006	271,093	273,640	323,558	991,395	860,894	1,060,468	910,996	579,378	611,170
Unrestricted (deficit)	(599,976)	(380,637)	(1,197,514)	718,111	656,366	1,541,396	(737,511)	(566,393)	(10,999,866)	(7,629,914)
	<u>\$ 38,797,430</u>	<u>\$ 38,594,525</u>	<u>\$ 37,825,055</u>	<u>\$ 38,852,890</u>	<u>\$ 40,541,660</u>	<u>\$ 40,392,225</u>	<u>\$ 37,008,077</u>	<u>\$ 35,465,604</u>	<u>\$ 23,416,195</u>	<u>\$ 25,586,015</u>

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

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

Net Position by Component District-wide



SCOTLAND COUNTY BOARD OF EDUCATION
Changes in Net Position
Last Ten Fiscal Years

Year Ended June 30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Instructional services	\$ 47,811,605	\$ 56,080,419	\$ 56,454,966	\$ 52,572,075	\$ 52,617,939	\$ 48,342,948	\$ 50,422,505	\$ 46,706,197	\$ 45,671,388	\$ 44,833,837
System-wide support services	17,637,797	13,727,140	12,905,855	13,914,561	15,199,322	13,126,508	13,866,711	14,042,012	13,124,980	13,531,757
Ancillary services	94,597	349,169	90,944	56,888	34,693	18,753	41,819	38,127	-	12,272
Payments to other governments	46,416	16,164	-	14,794	18,213	29,699	10,690	11,736	3,087	18,218
Unallocated depreciation expense	1,223,034	1,159,897	153,727	242,858	244,679	183,211	95,222	71,005	63,611	44,567
Total governmental activities expenses	66,813,449	71,332,789	69,605,492	66,801,176	68,114,846	61,701,119	64,436,947	60,869,077	58,863,066	58,440,651
Business-type activities:										
School food service	3,370,520	3,666,494	3,747,981	3,638,656	3,733,515	3,789,037	3,824,003	3,480,542	3,730,859	3,811,558
Total district-wide expenses	\$ 70,183,969	\$ 74,999,283	\$ 73,353,473	\$ 70,439,832	\$ 71,848,361	\$ 65,490,156	\$ 68,260,950	\$ 64,349,619	\$ 62,593,925	\$ 62,252,209
Program Revenues										
Governmental activities:										
Charges for services:										
Co-curricular services	\$ 1,277,287	\$ 1,328,443	\$ 1,178,816	\$ 1,175,488	\$ 1,132,331	\$ 1,348,607	\$ 1,244,668	\$ 1,271,393	\$ 1,167,088	\$ 1,195,422
Other	13,073	21,038	-	77,921	62,097	27,346	10,419	6,837	8,355	7,331
Operating grants and contributions	48,875,261	52,360,993	53,878,117	49,036,181	49,505,224	44,465,233	44,125,109	43,016,281	43,901,491	43,973,064
Capital grants and contributions	633,200	587,284	416,800	462,494	685,793	198,983	570,948	185,985	185,985	21,017
Total governmental activities program revenues	50,798,821	54,297,758	55,473,733	50,752,084	51,385,445	46,040,169	45,951,144	44,480,496	45,262,919	45,196,834
Business-type activities:										
Charges for services:										
Student meal services	773,479	834,891	818,719	715,572	677,169	651,528	584,341	538,734	252,184	266,872
Operating grants and contributions	2,769,292	2,781,273	2,850,645	2,962,039	2,999,312	3,093,382	3,262,049	3,030,109	3,611,719	3,652,138
Capital grants and contributions	-	-	-	36,693	-	-	-	-	-	-
Total business-type activities program revenues	3,542,771	3,616,164	3,669,364	3,714,304	3,676,481	3,744,910	3,846,390	3,568,843	3,863,903	3,919,010
Total district-wide program revenues	\$ 54,341,592	\$ 57,913,922	\$ 59,143,097	\$ 54,466,388	\$ 55,061,926	\$ 49,785,079	\$ 49,797,534	\$ 48,049,339	\$ 49,126,822	\$ 49,115,844
Net (Expense) Revenue										
Governmental activities										
	\$ (16,014,628)	\$ (17,035,031)	\$ (14,131,759)	\$ (16,049,092)	\$ (16,729,401)	\$ (15,660,950)	\$ (18,485,803)	\$ (16,388,581)	\$ (13,600,147)	\$ (13,243,817)
Business-type activities										
	172,251	(50,330)	(78,617)	75,648	(57,034)	(44,127)	22,387	88,301	133,044	107,452
Total district-wide net expense	\$ (15,842,377)	\$ (17,085,361)	\$ (14,210,376)	\$ (15,973,444)	\$ (16,786,435)	\$ (15,705,077)	\$ (18,463,416)	\$ (16,300,280)	\$ (13,467,103)	\$ (13,136,365)

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

Year Ended June 30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted county appropriations - operating	\$ 9,855,913	\$ 10,317,106	\$ 10,941,400	\$ 10,871,381	\$ 10,688,920	\$ 10,131,384	\$ 10,075,654	\$ 10,139,325	\$ 10,614,325	\$ 10,826,612
Unrestricted county appropriations - capital	675,188	815,696	1,217,559	680,015	2,846,715	699,349	260,000	198,000	300,000	534,755
Unrestricted State appropriations - operating	3,145,859	1,308,491	-	3,612,398	3,744,507	3,839,717	3,879,296	3,444,788	3,413,266	3,398,483
Unrestricted Federal appropriations - operating	-	-	-	7,332	6,931	-	-	-	-	-
Unrestricted State appropriations - capital	395,008	1,191,085	576,797	825,907	659,453	415,000	176,225	373,000	147,300	101,574
Unrestricted Federal appropriations - capital	-	-	227,353	-	-	-	-	-	-	-
Investment earnings, unrestricted	61,202	76,964	20,271	33,730	37,220	21,170	13,791	5,880	4,542	6,279
Miscellaneous, unrestricted	418,037	3,155,080	448,896	965,550	488,147	438,753	542,894	593,400	478,401	428,427
Transfers	-	-	-	(45,000)	(49,362)	(34,747)	(45,000)	(45,001)	(45,001)	(45,000)
Total governmental activities	<u>14,551,207</u>	<u>16,864,422</u>	<u>13,432,276</u>	<u>16,951,313</u>	<u>18,422,531</u>	<u>15,510,626</u>	<u>14,902,860</u>	<u>14,709,392</u>	<u>14,912,833</u>	<u>15,251,130</u>
Business-type activities:										
Unrestricted State appropriations - operating	-	3,068	-	-	-	-	-	-	-	-
Investment earnings, unrestricted	18,540	14,966	8,630	4,966	3,312	2,631	1,972	1,562	2,245	3,852
Miscellaneous, unrestricted	-	-	-	-	-	7,638	-	1,852	3,368	6,203
Transfers	-	-	-	45,000	49,362	34,747	45,000	45,001	45,001	45,000
Total business-type activities	<u>18,540</u>	<u>18,034</u>	<u>8,630</u>	<u>49,966</u>	<u>52,674</u>	<u>45,016</u>	<u>46,972</u>	<u>48,415</u>	<u>50,614</u>	<u>55,055</u>
Total district-wide	<u>\$ 14,569,747</u>	<u>\$ 16,882,456</u>	<u>\$ 13,440,906</u>	<u>\$ 17,001,279</u>	<u>\$ 18,475,205</u>	<u>\$ 15,555,642</u>	<u>\$ 14,949,832</u>	<u>\$ 14,757,807</u>	<u>\$ 14,963,447</u>	<u>\$ 15,306,185</u>
Change in Net Position										
Governmental activities	\$ (1,463,421)	\$ (170,609)	\$ (699,483)	\$ 902,221	\$ 1,693,130	\$ (150,324)	\$ (3,582,943)	\$ (1,679,189)	\$ 1,312,686	\$ 2,007,313
Business-type activities	190,791	(32,296)	(69,987)	125,614	(4,360)	889	69,359	136,716	183,658	162,507
Total district-wide change in net position	<u>\$ (1,272,630)</u>	<u>\$ (202,905)</u>	<u>\$ (769,470)</u>	<u>\$ 1,027,835</u>	<u>\$ 1,688,770</u>	<u>\$ (149,435)</u>	<u>\$ (3,513,584)</u>	<u>\$ (1,542,473)</u>	<u>\$ 1,496,344</u>	<u>\$ 2,169,820</u>

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

Note: Expenses for 2007 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.

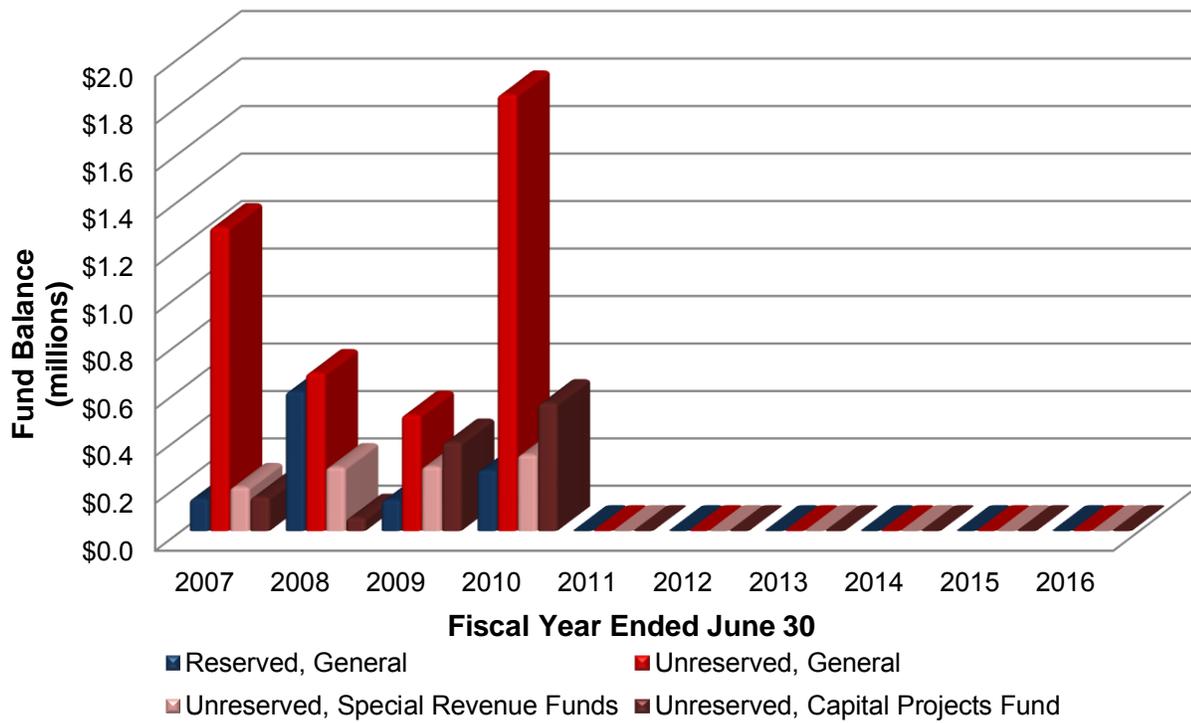
SCOTLAND COUNTY BOARD OF EDUCATION
Governmental Funds
Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 138,344	\$ 590,056	\$ 132,020	\$ 257,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,282,040	667,721	491,819	1,840,867	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	39,700	-
Restricted	-	-	-	-	227,502	209,752	399,399	436,934	286,266	276,767
Assigned	-	-	-	-	1,950,000	1,937,297	600,000	150,000	511,000	380,872
Unassigned	-	-	-	-	899,569	1,866,451	1,343,090	1,875,650	2,007,671	3,059,653
Total General Fund	<u>\$ 1,420,384</u>	<u>\$ 1,257,777</u>	<u>\$ 623,839</u>	<u>\$ 2,098,128</u>	<u>\$ 3,077,071</u>	<u>\$ 4,013,500</u>	<u>\$ 2,342,489</u>	<u>\$ 2,462,584</u>	<u>\$ 2,844,637</u>	<u>\$ 3,717,292</u>
All other governmental funds:										
Reserved	\$ 11,013	\$ 499,258	\$ 194,645	\$ 111,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	187,006	271,093	273,640	323,558	-	-	-	-	-	-
Capital Projects Fund	144,203	56,665	375,016	540,863	-	-	-	-	-	-
Restricted	-	-	-	-	763,893	651,142	661,069	474,062	293,112	334,403
Total all other governmental funds	<u>\$ 342,222</u>	<u>\$ 827,016</u>	<u>\$ 843,301</u>	<u>\$ 975,687</u>	<u>\$ 763,893</u>	<u>\$ 651,142</u>	<u>\$ 661,069</u>	<u>\$ 474,062</u>	<u>\$ 293,112</u>	<u>\$ 334,403</u>

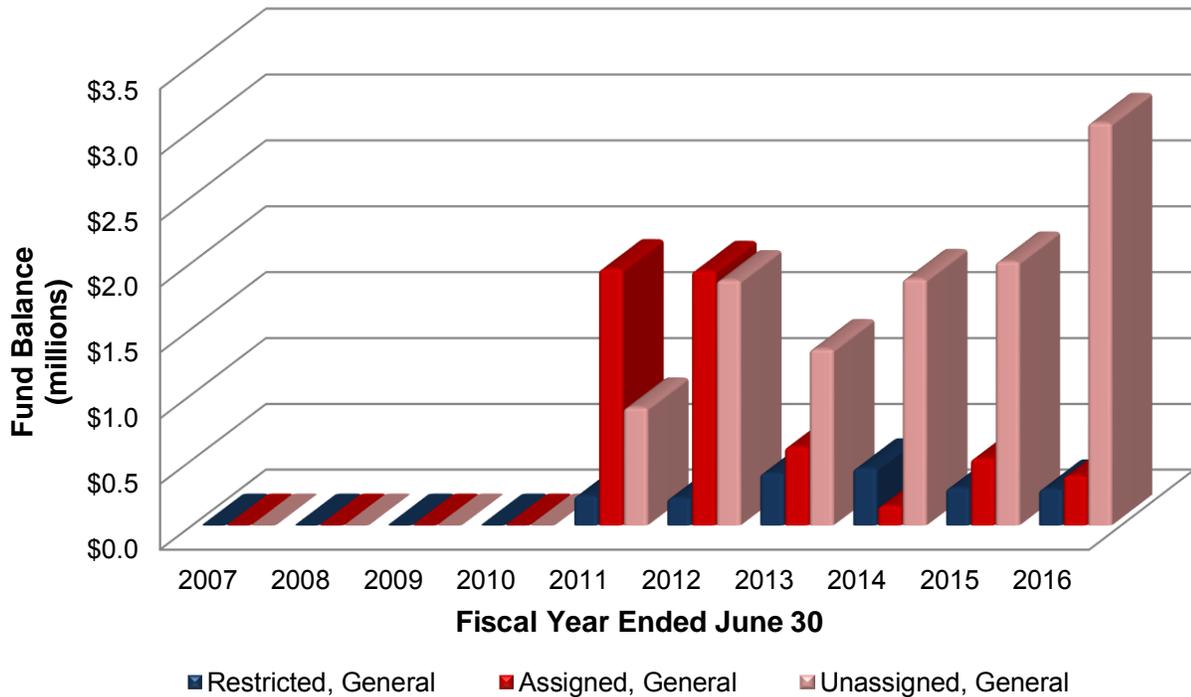
Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

Governmental Funds Fund Balances - Before GASB 54 Implementation



Governmental Funds Fund Balances - After GASB 54 Implementation



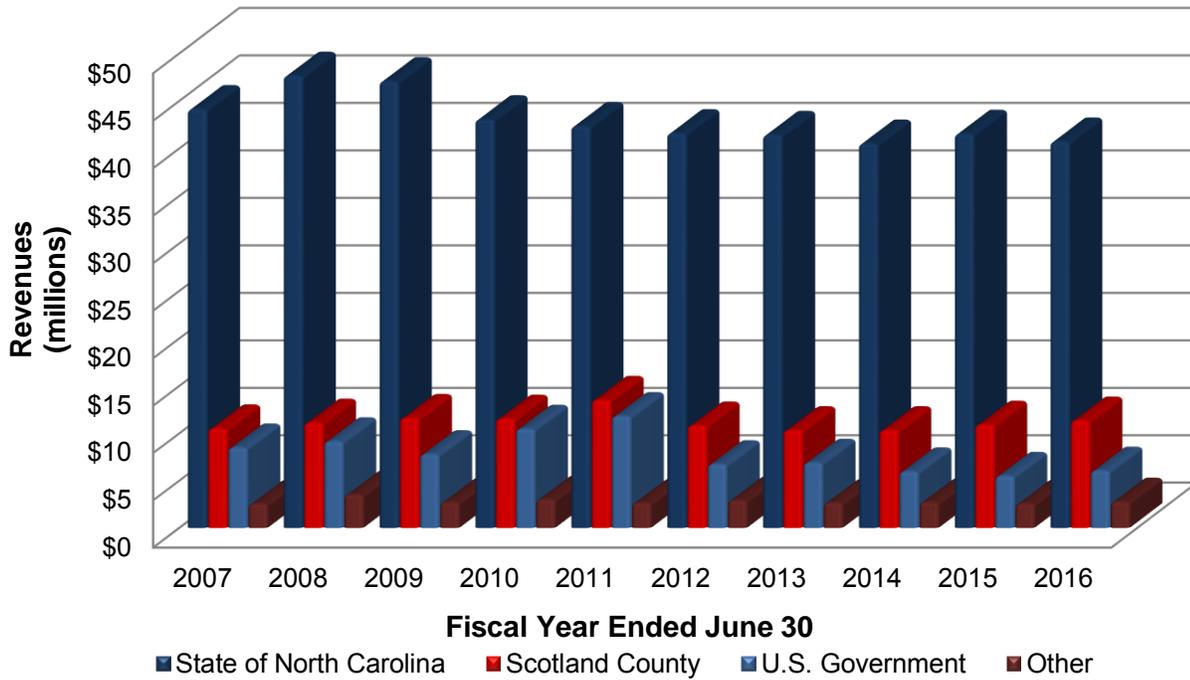
SCOTLAND COUNTY BOARD OF EDUCATION
Governmental Funds
Changes in Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2007	2008	2009	2010	2011
Revenues					
State of North Carolina	\$ 44,147,565	\$ 47,664,361	\$ 47,086,600	\$ 43,074,009	\$ 42,362,001
Scotland County	10,531,101	11,132,802	11,630,651	11,551,396	13,535,635
U.S. Government	8,514,175	9,169,085	7,804,990	10,487,326	11,823,722
Other	2,553,021	3,542,273	2,735,585	3,023,712	2,662,771
Total revenues	65,745,862	71,508,521	69,257,826	68,136,443	70,384,129
Expenditures					
Instructional services	47,683,600	56,029,113	55,353,312	51,780,988	51,388,210
System-wide support services	16,342,111	12,505,434	12,306,397	12,568,419	14,306,069
Ancillary services	94,597	349,169	90,944	56,888	34,693
Non-programmed charges	227,985	168,443	86,163	232,697	251,539
Debt service	251,890	158,309	576,797	364,963	685,793
Capital outlay	2,180,022	2,004,460	2,559,003	1,480,813	3,697,241
Total expenditures	66,780,205	71,214,928	70,972,616	66,484,768	70,363,545
Revenues over (under) expenditures	(1,034,343)	293,593	(1,714,790)	1,651,675	20,584
Other financing sources (uses)					
Transfers to other funds	-	-	-	(45,000)	(49,362)
Installment purchase obligations	333,250	70,839	1,094,888	-	795,927
Total other financing sources (uses)	333,250	70,839	1,094,888	(45,000)	746,565
Net change in fund balances	\$ (701,093)	\$ 364,432	\$ (619,902)	\$ 1,606,675	\$ 767,149
Ratio of debt service expenditures to total non-capital expenditures	0.39%	0.23%	0.85%	0.56%	1.04%
Year Ended June 30	2012	2013	2014	2015	2016
Revenues					
State of North Carolina	\$ 41,614,350	\$ 41,431,153	\$ 40,521,138	\$ 41,552,998	\$ 40,736,705
Scotland County	10,830,733	10,335,654	10,337,325	10,914,325	11,361,367
U.S. Government	6,741,541	6,898,683	5,985,094	5,508,739	6,065,404
Other	2,926,916	2,670,335	2,724,574	2,577,047	2,782,795
Total revenues	62,113,540	61,335,825	59,568,131	60,553,109	60,946,271
Expenditures					
Instructional services	47,111,554	48,828,633	45,482,352	46,518,694	45,672,651
System-wide support services	12,178,326	12,622,440	12,660,195	12,593,019	13,167,881
Ancillary services	18,753	41,819	38,127	-	12,272
Non-programmed charges	160,877	196,355	133,883	107,294	179,950
Debt service	198,983	570,948	185,985	185,986	21,017
Capital outlay	1,586,622	1,565,091	1,089,500	902,012	1,017,622
Total expenditures	61,255,115	63,825,286	59,590,042	60,307,005	60,071,393
Revenues over (under) expenditures	858,425	(2,489,461)	(21,911)	246,104	874,878
Other financing sources (uses)					
Transfers to other funds	(34,747)	(45,000)	(45,001)	(45,001)	(45,000)
Installment purchase obligations	-	743,941	-	-	84,068
Total other financing sources (uses)	(34,747)	698,941	(45,001)	(45,001)	39,068
Net change in fund balances	\$ 823,678	\$ (1,790,520)	\$ (66,912)	\$ 201,103	\$ 913,946
Ratio of debt service expenditures to total non-capital expenditures	0.33%	0.93%	0.32%	0.31%	0.04%

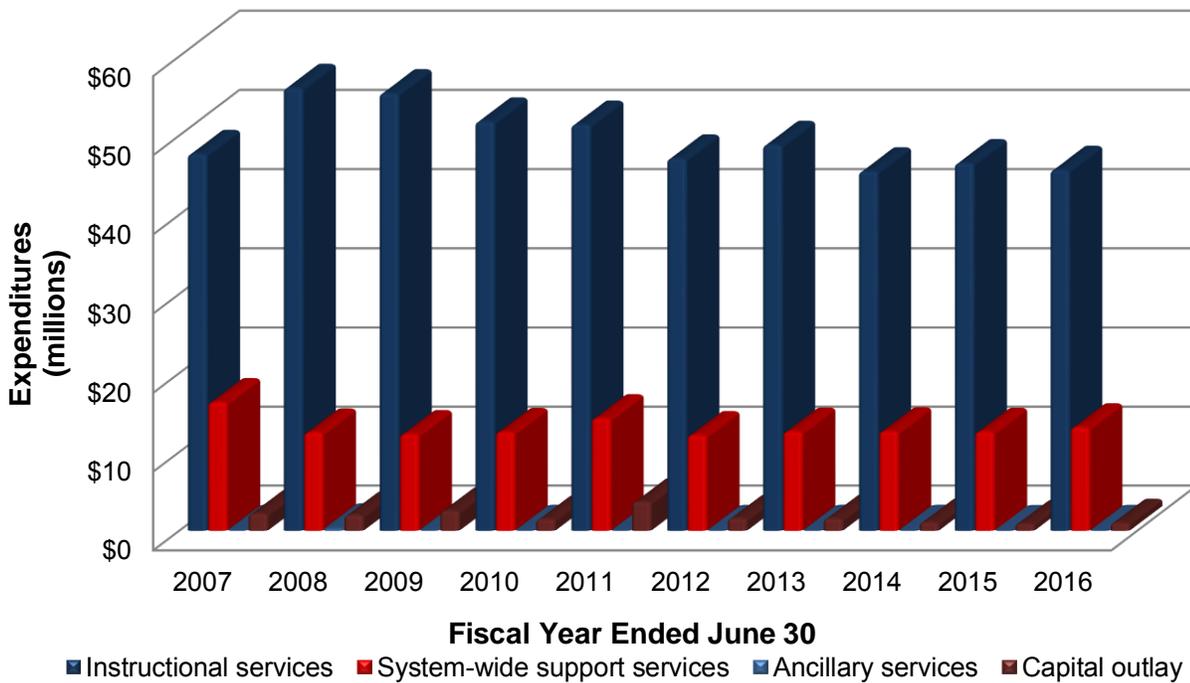
Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

Governmental Funds Revenues by Source



Governmental Funds Expenditures by Function



SCOTLAND COUNTY BOARD OF EDUCATION
Operational Expenditures Per Pupil
Expenditures by Function
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2007	2008	2009	2010	2011
Average Daily Membership	6,733	6,654	6,528	6,289	6,153
Instructional	\$ 7,082	\$ 8,420	\$ 8,479	\$ 8,234	\$ 8,352
System-wide support	2,427	1,879	1,885	1,998	2,325
Ancillary	14	52	14	9	6
Total expenditures per pupil	<u>\$ 9,523</u>	<u>\$ 10,351</u>	<u>\$ 10,378</u>	<u>\$ 10,241</u>	<u>\$ 10,683</u>

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2012	2013	2014	2015	2016
Average Daily Membership	6,046	6,055	6,013	5,924	5,818
Instructional	\$ 7,792	\$ 8,064	\$ 7,564	\$ 7,853	\$ 7,850
System-wide support	2,014	2,085	2,105	2,126	2,263
Ancillary	3	7	6	-	2
Total expenditures per pupil	<u>\$ 9,809</u>	<u>\$ 10,156</u>	<u>\$ 9,675</u>	<u>\$ 9,979</u>	<u>\$ 10,115</u>

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2007	2008	2009	2010	2011
Instructional	\$ 3,399	\$ 3,848	\$ 3,931	\$ 3,778	\$ 3,700
System-wide support	1,165	859	874	917	1,030
Ancillary	7	24	6	4	3
Total expenditures per pupil	<u>\$ 4,571</u>	<u>\$ 4,731</u>	<u>\$ 4,811</u>	<u>\$ 4,699</u>	<u>\$ 4,733</u>

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2012	2013	2014	2015	2016
Instructional	\$ 3,396	\$ 3,453	\$ 3,174	\$ 3,291	\$ 3,257
System-wide support	878	893	883	891	939
Ancillary	1	3	3	-	1
Total expenditures per pupil	<u>\$ 4,275</u>	<u>\$ 4,349</u>	<u>\$ 4,060</u>	<u>\$ 4,182</u>	<u>\$ 4,197</u>

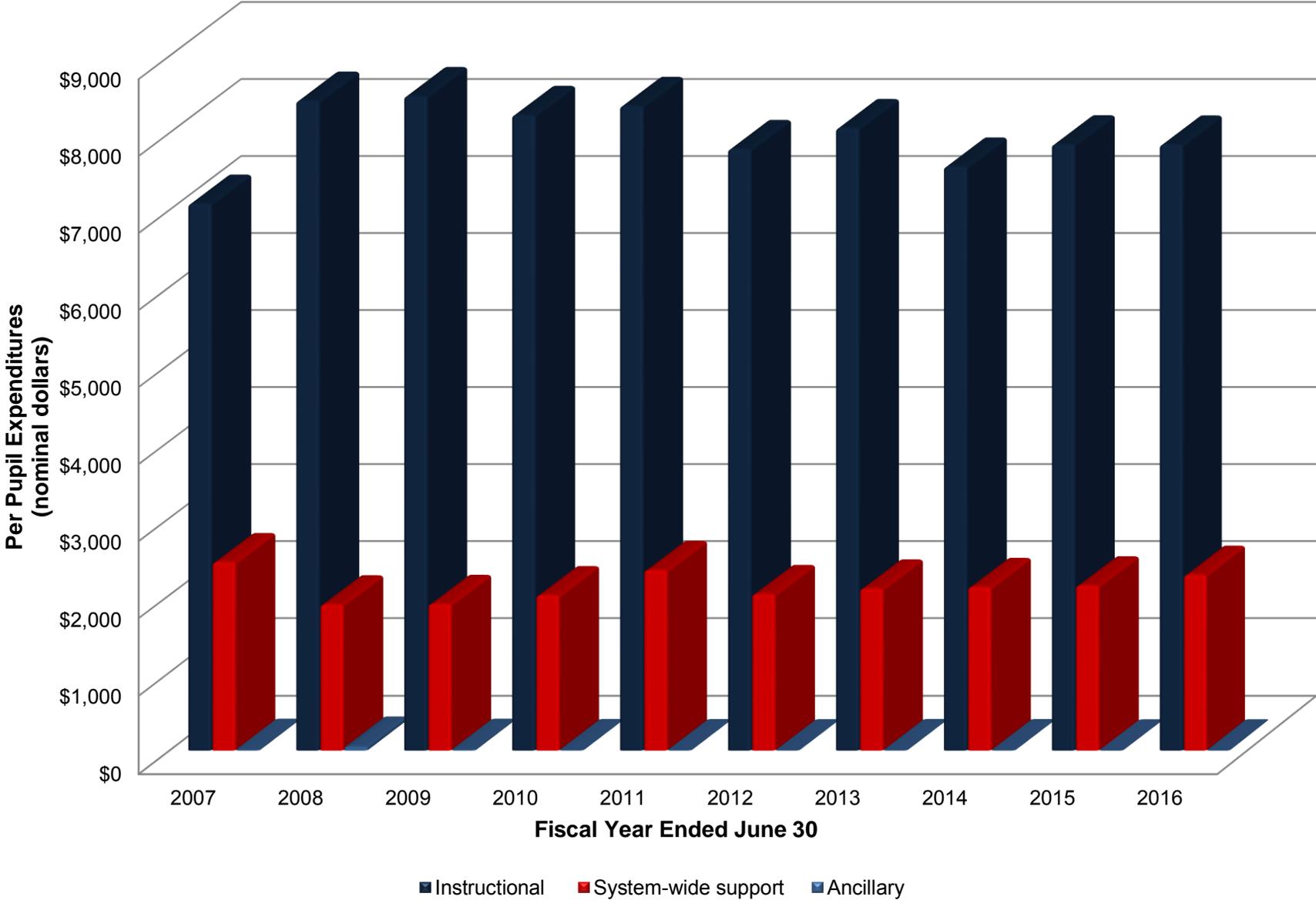
Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

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

Note: Expenditures for 2007 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



SCOTLAND COUNTY BOARD OF EDUCATION
Proprietary Fund - Food Services Operations
Revenues by Source
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS					
Year Ended June 30	2007	2008	2009	2010	2011
Food sales	\$ 773,479	\$ 834,891	\$ 818,719	\$ 715,572	\$ 677,169
Federal reimbursements	2,566,320	2,555,097	2,643,152	2,743,061	2,768,697
Federal commodities	196,065	217,610	201,503	211,764	222,111
Other	-	-	-	12,180	11,816
Total revenues	<u>\$ 3,535,864</u>	<u>\$ 3,607,598</u>	<u>\$ 3,663,374</u>	<u>\$ 3,682,577</u>	<u>\$ 3,679,793</u>
EXPRESSED IN NOMINAL DOLLARS					
Year Ended June 30	2012	2013	2014	2015	2016
Food sales	\$ 651,528	\$ 584,341	\$ 538,734	\$ 252,184	\$ 266,872
Federal reimbursements	2,878,843	3,019,938	2,756,452	3,369,955	3,395,965
Federal commodities	208,486	236,120	268,486	241,764	256,173
Other	16,322	7,963	8,585	5,613	10,055
Total revenues	<u>\$ 3,755,179</u>	<u>\$ 3,848,362</u>	<u>\$ 3,572,257</u>	<u>\$ 3,869,516</u>	<u>\$ 3,929,065</u>

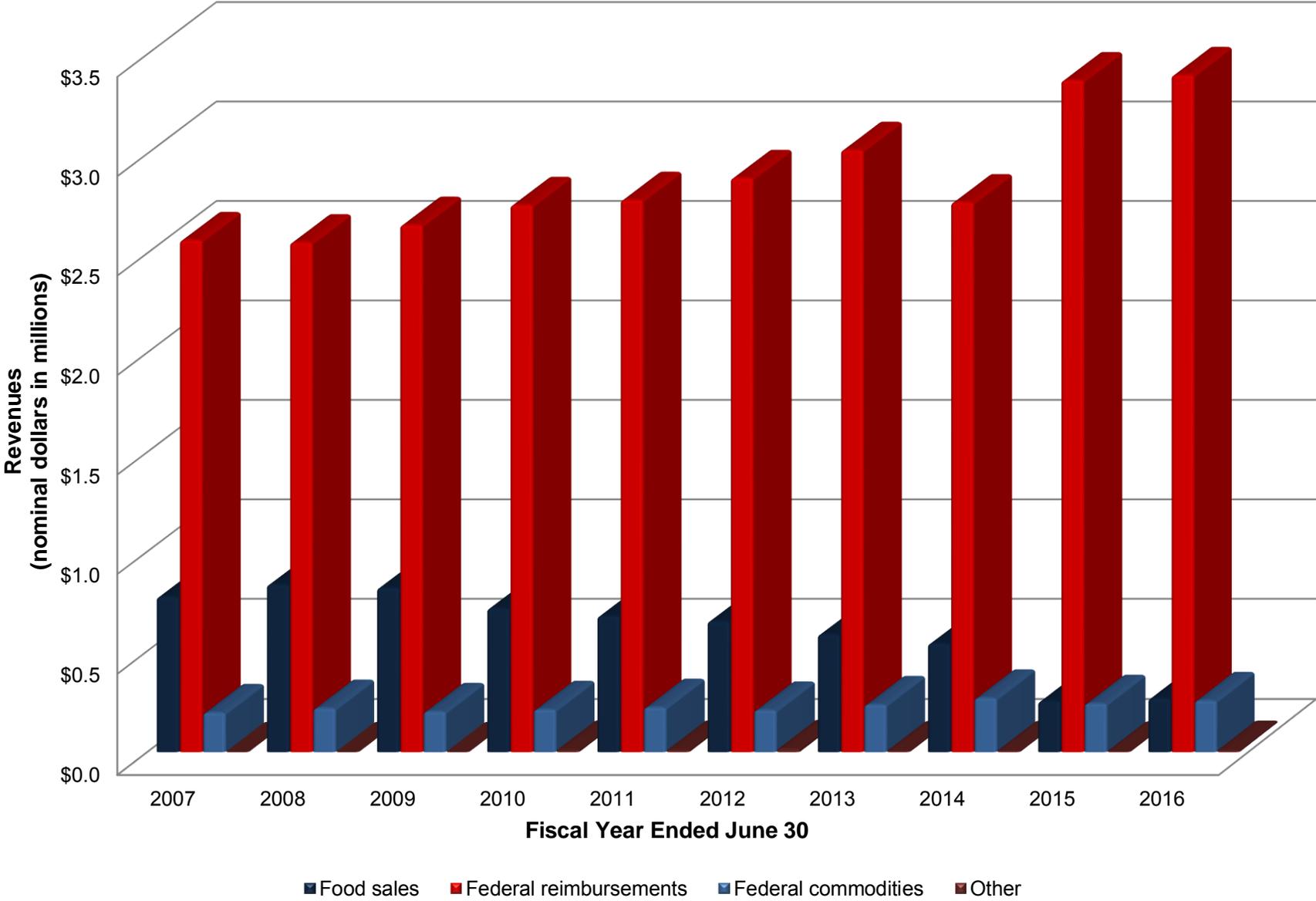
EXPRESSED IN CONSTANT DOLLARS					
Year Ended June 30	2007	2008	2009	2010	2011
Food sales	\$ 371,237	\$ 381,551	\$ 379,576	\$ 328,297	\$ 300,001
Federal reimbursements	1,231,723	1,167,697	1,225,423	1,258,487	1,226,596
Federal commodities	94,103	99,449	93,421	97,155	98,400
Other	-	-	-	5,588	5,235
Total revenues	<u>\$ 1,697,063</u>	<u>\$ 1,648,697</u>	<u>\$ 1,698,420</u>	<u>\$ 1,689,527</u>	<u>\$ 1,630,232</u>
EXPRESSED IN CONSTANT DOLLARS					
Year Ended June 30	2012	2013	2014	2015	2016
Food sales	\$ 283,917	\$ 250,249	\$ 226,033	\$ 105,676	\$ 110,718
Federal reimbursements	1,254,518	1,293,313	1,156,506	1,412,162	1,408,892
Federal commodities	90,852	101,120	112,647	101,310	106,279
Other	7,113	3,410	3,602	2,352	4,172
Total revenues	<u>\$ 1,636,400</u>	<u>\$ 1,648,092</u>	<u>\$ 1,498,788</u>	<u>\$ 1,621,500</u>	<u>\$ 1,630,061</u>

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

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 Services Operations Revenues by Source



SCOTLAND COUNTY BOARD OF EDUCATION
Proprietary Fund - Food Services Operations
Expenses by Category
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS					
Year Ended June 30	2007	2008	2009	2010	2011
Purchase of food	\$ 1,023,733	\$ 1,133,605	\$ 1,196,617	\$ 1,025,700	\$ 1,040,334
Donated commodities	196,065	217,610	201,503	211,764	222,111
Salaries and benefits	1,670,926	1,820,744	1,884,227	1,864,432	1,896,213
Other	31,139	16,097	18,437	536,760	574,857
Total expenses	<u>\$ 2,921,863</u>	<u>\$ 3,188,056</u>	<u>\$ 3,300,784</u>	<u>\$ 3,638,656</u>	<u>\$ 3,733,515</u>
EXPRESSED IN NOMINAL DOLLARS					
Year Ended June 30	2012	2013	2014	2015	2016
Purchase of food	\$ 1,139,778	\$ 1,207,803	\$ 1,024,728	\$ 1,163,000	\$ 1,121,921
Donated commodities	208,486	236,120	268,486	241,764	256,173
Salaries and benefits	1,904,179	1,881,882	1,742,067	1,855,103	1,845,258
Other	536,594	498,198	445,261	470,992	588,206
Total expenses	<u>\$ 3,789,037</u>	<u>\$ 3,824,003</u>	<u>\$ 3,480,542</u>	<u>\$ 3,730,859</u>	<u>\$ 3,811,558</u>

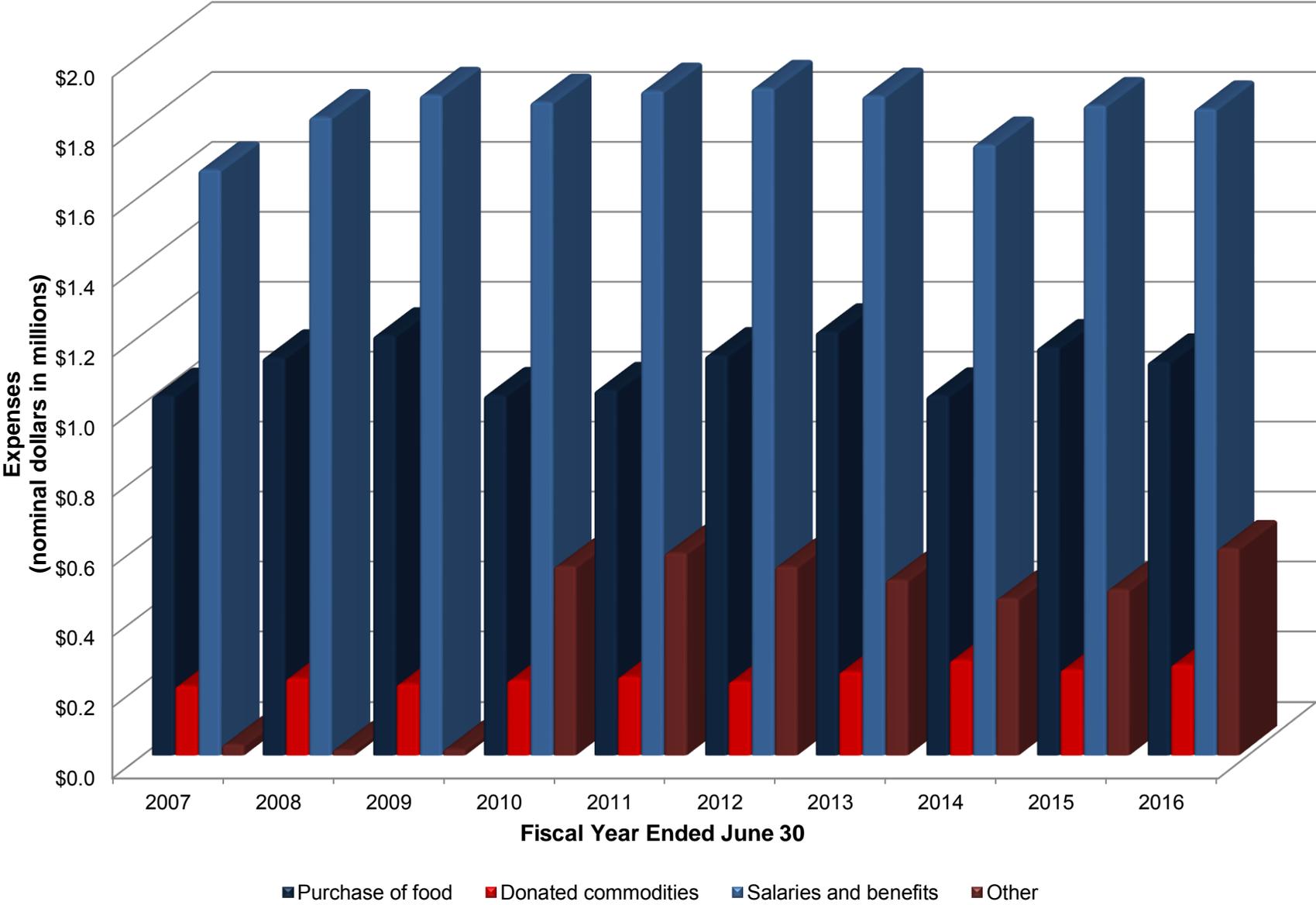
EXPRESSED IN CONSTANT DOLLARS					
Year Ended June 30	2007	2008	2009	2010	2011
Purchase of food	\$ 491,348	\$ 518,065	\$ 554,778	\$ 470,580	\$ 460,892
Donated commodities	94,103	99,449	93,421	97,155	98,400
Salaries and benefits	801,973	832,093	873,569	855,381	840,066
Other	14,945	7,356	8,548	246,260	254,675
Total expenses	<u>\$ 1,402,369</u>	<u>\$ 1,456,963</u>	<u>\$ 1,530,316</u>	<u>\$ 1,669,376</u>	<u>\$ 1,654,033</u>
EXPRESSED IN CONSTANT DOLLARS					
Year Ended June 30	2012	2013	2014	2015	2016
Purchase of food	\$ 496,683	\$ 517,252	\$ 429,938	\$ 487,349	\$ 465,454
Donated commodities	90,852	101,120	112,647	101,310	106,279
Salaries and benefits	829,787	805,931	730,908	777,371	765,547
Other	233,832	213,357	186,815	197,367	244,030
Total expenses	<u>\$ 1,651,154</u>	<u>\$ 1,637,660</u>	<u>\$ 1,460,308</u>	<u>\$ 1,563,397</u>	<u>\$ 1,581,310</u>

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

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

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

Proprietary Fund - Food Services Operations Expenses by Category



SCOTLAND 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
2016	\$ 63,051	\$ 63,051	N/A	N/A
2015	-	-	N/A	\$ -
2014	185,986	185,986	0.02%	5
2013	371,971	371,971	0.03%	10
2012	198,978	198,978	0.02%	6
2011	397,961	397,961	0.04%	11
2010	287,827	287,827	0.03%	8
2009	652,790	652,790	0.07%	18
2008	134,699	134,699	0.01%	4
2007	222,169	222,169	0.02%	6

N/A = Not available

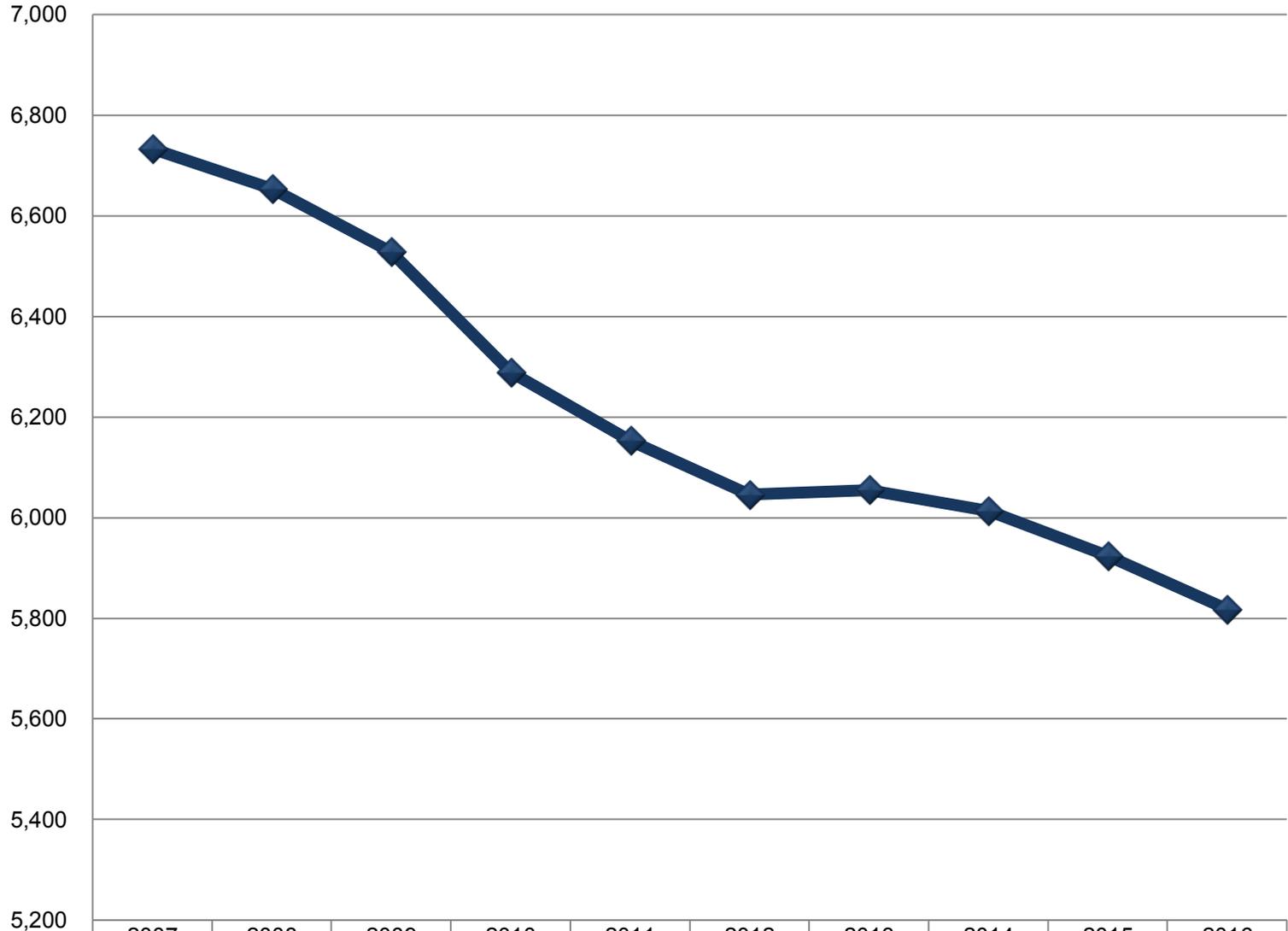
Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

Note: Scotland 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, 2016 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2017, 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, 2015 and June 30, 2016 income based information will be shown above as "N/A", and the June 30, 2015 information will be reported for the year ended June 30, 2017, if applicable.

**SCOTLAND COUNTY BOARD OF EDUCATION
Average Daily Membership
Last Ten Fiscal Years**



◆ Avg Daily Membership	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	6,733	6,654	6,528	6,289	6,153	6,046	6,055	6,013	5,924	5,818

SCOTLAND COUNTY BOARD OF EDUCATION
Student Statistics
Last Ten Fiscal Years

Year Ended June 30	Teaching Staff	Students	Teacher/ Pupil Ratio	Student Attendance Percentage⁽¹⁾	Percentage of Students Receiving Free/Reduced Lunch⁽²⁾
2016	407	5,818	1/14	94.83%	100.00%
2015	421	5,924	1/14	96.42%	100.00%
2014	438	6,013	1/14	98.35%	78.94%
2013	455	6,055	1/13	94.37%	79.00%
2012	442	6,046	1/14	94.81%	78.16%
2011	493	6,153	1/12	93.95%	75.74%
2010	511	6,289	1/12	94.15%	77.95%
2009	533	6,528	1/12	94.58%	72.37%
2008	530	6,654	1/13	95.13%	69.39%
2007	539	6,733	1/12	94.46%	70.83%

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

Year Ended June 30	Ethnic Distribution Percentage ⁽³⁾					Graduates ⁽³⁾	Percentage of Graduates Continuing Education ⁽³⁾
	White	Black	Asian	Hispanic	Other		
2016	30%	46%	1%	3%	20%	N/A	N/A
2015	31%	46%	1%	2%	20%	387	70%
2014	31%	46%	1%	3%	19%	387	75%
2013	32%	46%	1%	2%	19%	378	71%
2012	32%	46%	1%	2%	19%	411	74%
2011	33%	46%	1%	2%	18%	341	77%
2010	35%	49%	1%	1%	14%	411	82%
2009	35%	49%	1%	1%	14%	398	80%
2008	35%	49%	1%	1%	14%	375	78%
2007	36%	48%	1%	1%	14%	368	77%

N/A = Not Available

Sources:

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

(2) NC Department of Public Instruction Free & Reduced Meals Application Data Reports. Information for 2016 obtained from Scotland County Board of Education Student Data.

(3) North Carolina Public Schools Statistical Profile (2007-2016 Editions).

Note: This table is a ten year schedule. However, the graduate data for the year ended June 30, 2016 could not be obtained from the North Carolina Department of Public Instruction prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

Note: Percentage of students receiving free/reduced lunch for 2014 and before are not comparable to 2015 (and after) due to the implementation of the Community Eligibility Program, which provides free lunch to all students.

SCOTLAND COUNTY BOARD OF EDUCATION
Full-time Equivalent Governmental Employees by Function/Program
Last Ten Fiscal Years

Year Ended June 30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Officials, admins, mgrs	13	18	15	13	18	18	19	17	15	14
Principals	19	20	21	21	19	14	14	17	14	12
Asst. Principals, non-teaching	13	14	11	14	14	12	13	16	18	16
Total administrators	45	52	47	48	51	44	46	50	47	42
Elementary teachers	386	373	375	359	347	316	328	319	306	290
Secondary teachers	145	156	156	148	133	115	123	114	110	113
Other teachers	8	1	2	4	13	11	4	5	5	4
Total teachers	539	530	533	511	493	442	455	438	421	407
Guidance	18	24	23	19	20	18	17	17	17	15
Psychological	4	2	4	4	6	5	5	5	5	5
Librarian, audiovisual	13	14	14	13	14	12	12	12	12	10
Consultant, supervisor	7	30	27	23	20	13	22	15	14	17
Other professionals	32	29	29	29	31	28	37	39	35	39
Total professionals	658	681	677	647	635	562	594	576	551	535
Teacher Assistants	219	230	216	191	188	139	151	97	108	108
Technicians	5	5	5	6	7	5	5	7	6	6
Clerical, secretarial	71	68	68	70	65	54	55	52	49	48
Service workers	67	146	144	136	120	89	87	77	76	88
Skilled crafts	10	3	6	7	6	6	8	9	9	9
Laborers, Unskilled	-	-	-	-	1	14	16	15	11	6
Total employees	1,030	1,133	1,116	1,057	1,022	869	916	833	810	800

Source: North Carolina Public Schools Statistical Profile (2007-2016 Editions)

SCOTLAND COUNTY BOARD OF EDUCATION Instructional Personnel Last Ten Fiscal Years

Year Ended June 30	Teacher Salaries ⁽¹⁾			Bachelors Degree ⁽²⁾	Masters Degree ⁽²⁾	Advanced Degree ⁽²⁾	Doctorate Degree ⁽²⁾
	Minimum	Maximum	Average				
2016	\$ 33,000	\$ 61,000	\$ 42,720	284	140	0	1
2015	33,000	67,100	45,692	262	183	2	1
2014	30,800	60,400	46,000	201	218	5	2
2013	30,800	70,200	40,026	248	184	3	1
2012	30,430	64,750	38,881	288	221	6	2
2011	30,430	64,750	47,590	323	194	1	2
2010	30,430	64,750	47,590	425	113	1	-
2009	30,430	64,750	47,590	411	127	-	-
2008	29,750	64,160	46,960	425	113	1	-
2007	28,510	61,380	43,950	415	187	6	3

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) Scotland County Board of Education Payroll Data.
- (2) North Carolina Public Schools Statistical Profile (2007-2015 Editions). Information for 2016 obtained from Scotland County Board of Education Personnel Data.

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

SCOTLAND COUNTY BOARD OF EDUCATION

School Building Data
June 30, 2016

Site	Year Built	Capacity	Current Membership	Over/(Under) Capacity	Condition
Covington Street Primary	1952	284	293	3%	Fair
I. Ellis Johnson Elementary	1952	602	362	-40%	Good
Laurel Hill Elementary	1999	635	527	-17%	Excellent
North Laurinburg Elementary	1958	357	251	-30%	Fair
Shaw Academy	1951	457	64	-86%	Fair
South Scotland Elementary	1960	353	400	13%	Good
Wagram Elementary	1983	430	445	3%	Excellent
Sycamore Lane Elementary	1983	731	563	-23%	Good
Carver Middle	2000	737	623	-15%	Excellent
Spring Hill Middle	2000	737	627	-15%	Excellent
Scotland High	1967	2,266	1,469	-35%	Good
Scotland Early College High ⁽¹⁾	N/A	N/A	194	N/A	N/A

N/A = Not Applicable

Source: Scotland County Schools N. C. Public Schools Facility Needs Report; 2016.

Note:

(1) Early College is located at Richmond Community College

SCOTLAND COUNTY, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Year Ended June 30	2007	2008	2009	2010	2011
Population estimate (1)	36,427	36,480	36,292	36,157	35,861
Personal income (2)	\$927,081,000	\$981,339,000	\$999,642,000	\$1,029,708,000	\$1,017,152,000
Per capita income (2)	\$25,450	\$26,901	\$27,544	\$28,479	\$28,364
Median age (3)	36.59	36.56	36.77	36.81	37.81
School enrollment (4)	6,733	6,654	6,528	6,289	6,153
Unemployment rate (5)	10.8%	10.6%	16.8%	16.4%	17.1%
Year Ended June 30	2012	2013	2014	2015	2016
Population estimate (1)	36,094	36,025	35,576	35,509	N/A
Personal income (2)	\$1,068,098,000	\$1,085,797,000	\$1,033,097,000	N/A	N/A
Per capita income (2)	\$29,592	\$30,140	\$29,039	N/A	N/A
Median age (3)	38.05	38.30	38.56	38.78	39.85
School enrollment (4)	6,046	6,055	6,013	5,924	5,818
Unemployment rate (5)	17.6%	16.2%	12.1%	11.7%	9.2%

N/A = Not Available

Sources:

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

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2016 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2017, 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, 2015 and June 30, 2016 income based information will be shown above as "N/A", and the June 30, 2015 information will be reported for the year ended June 30, 2017, if applicable.

SCOTLAND COUNTY, NORTH CAROLINA

Principal Employers

For Years Ended June 30, 2016 and 2007

Employer	2016			2007		
	Employees ⁽¹⁾	Rank	Approximate Percentage of Total County Employment	Employees ⁽¹⁾	Rank	Approximate Percentage of Total County Employment
Scotland County Schools	1,000+	1	9%+	1,000+	1	7%+
Scotland Memorial Hospital	500 - 999	2	7%	500 - 999	2	6%
NC Dept. Of Public Safety	500 - 999	3	7%	-	-	-
FCC North Carolina LLC	250 - 499	4	3%	-	-	-
County of Scotland	250 - 499	5	3%	250 - 499	6	3%
Wal-Mart Associates, Inc.	250 - 499	6	3%	250 - 499	4	3%
Pilkington North America	250 - 499	7	3%	250 - 499	7	3%
Maverick Transportation, LLC	250 - 499	8	3%	-	-	-
Farmers Furniture	100 - 249	9	2%	-	-	-
Hanesbrands, Inc.	100 - 249	10	2%	-	-	-
Westpoint Home Inc.	-	-	-	250 - 499	8	3%
State of North Carolina	-	-	-	250 - 499	3	3%
The Mega Force Staffing Group	-	-	-	250 - 499	5	3%
Butler Mfg Co (A Corp)	-	-	-	250 - 499	9	3%
Saint Andrews Presbyterian College	-	-	-	100 - 249	10	1%
			42%+			35%+
Total County Employment ⁽²⁾	10,741			12,986		

Sources:

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

(2) North Carolina Employment Security Commission

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

Year Ended June 30	Governmental Activities		Business -Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Installment Purchases	General Obligation Bonds	Installment Purchases	General Obligation Bonds			
2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2015	\$ 2,927,893	\$ 4,589,000	\$ 67,885	\$ 6,113,000	13,697,778	N/A	\$ 386
2014	3,261,713	5,602,000	134,361	6,242,500	15,240,574	1.48%	428
2013	2,591,497	6,633,000	-	6,366,500	15,590,997	1.44%	433
2012	2,957,272	7,678,000	82,278	6,484,500	17,202,050	1.61%	477
2011	3,879,930	8,735,000	162,257	6,598,000	19,375,187	1.90%	540
2010	1,481,199	9,805,000	240,000	6,706,000	18,232,199	1.77%	504
2009	1,923,043	10,608,000	-	6,810,500	19,341,543	1.93%	533
2008	2,347,767	11,510,000	-	6,909,500	20,767,267	2.12%	569
2007	2,322,561	12,490,000	-	7,004,500	21,817,061	2.35%	599

N/A = Not Available

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

Note: This table is a ten year schedule. However, the annual financial report for the year ended June 30, 2016 could not be obtained from Scotland County nor their auditors prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2016 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2017, 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, 2015 and June 30, 2016 income based information will be shown above as "N/A", and the June 30, 2015 information will be reported for the year ended June 30, 2017, if applicable.

SCOTLAND COUNTY, NORTH CAROLINA
Principal Property Taxpayers
December 31, 2014 and December 31, 2006

Taxpayer	Type of Business	2014			2006		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
FCC North Carolina, Inc.	Manufacturing	\$ 120,411,682	1	5.66%	\$ 23,816,086	4	1.27%
Pilkington North America	Manufacturing	84,152,634	2	3.96%	85,017,693	1	4.52%
Duke Energy	Utilities	51,699,930	3	2.43%	21,264,149	5	1.13%
Piedmont Natural Gas	Utilities	34,335,278	4	1.62%	-	-	-
Lumbee River EMC	Utilities	25,251,388	5	1.19%	-	-	-
CSX Transportation	Railroad	23,934,796	6	1.13%	-	-	-
Kordsa, Inc.	Manufacturing	23,899,592	7	1.12%	27,385,759	3	1.46%
Carroll's Realty	Farm	22,518,460	8	1.06%	20,560,270	6	1.09%
Meritor Heavy Vehicle	Manufacturing	19,378,671	9	0.91%	18,197,224	8	0.97%
WP Properties	Manufacturing	19,052,635	10	0.90%	45,252,923	2	2.41%
QualPack, LLC	Pharmaceutical	-	-	-	20,070,645	7	1.07%
Bell South Long Distance, Inc.	Utilities	-	-	-	16,792,512	9	0.89%
Embrex Poultry Health LLC	Biotech	-	-	-	13,776,950	10	0.73%
		<u>\$ 424,635,066</u>		<u>19.98%</u>	<u>\$ 292,134,211</u>		<u>15.54%</u>
Total Assessed Valuation		<u>\$ 2,125,566,510</u>			<u>\$ 1,880,833,966</u>		

Source: Scotland County, North Carolina, Annual Financial Report for the years ended June 30, 2007 and June 30, 2015.

Note: This table is a nine year schedule. However, the annual financial report for the year ended June 30, 2016 could not be obtained from Scotland County nor their auditors prior to this report being issued. Therefore, there are only eight years of comparative data noted above.

SCOTLAND 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
2016	N/A	N/A	N/A
2015	\$ 21,893,335	\$ 20,694,226	94.52%
2014	22,017,177	20,589,498	93.52%
2013	21,018,629	19,364,830	92.13%
2012	20,097,575	18,484,374	91.97%
2011	20,201,575	18,739,768	92.76%
2010	19,457,817	17,922,769	92.11%
2009	19,705,329	18,321,682	92.98%
2008	20,251,067	18,989,061	93.77%
2007	20,740,546	19,498,629	94.01%

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections
2016	N/A	N/A
2015	\$ 9,174,287	\$ 8,671,807
2014	9,237,602	8,638,600
2013	9,001,400	8,293,147
2012	8,757,953	8,054,966
2011	8,949,759	8,302,145
2010	8,927,037	8,222,774
2009	9,135,822	8,494,333
2008	9,254,881	8,678,135
2007	9,954,570	9,358,503

N/A = Not Available

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

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

Note: This table is a ten year schedule. However, the annual financial report for the year ended June 30, 2016 could not be obtained from Scotland County nor their auditors prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

"An Investment in the Future"

