

Scotland County Board of Education

Financial Statements

For the Fiscal Year Ended June 30, 2005

SCOTLAND COUNTY BOARD OF EDUCATION
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DIXON HUGHES PLLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

To the Scotland County Board of Education
Scotland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotland County Board of Education, as of and for the year ended June 30, 2005 which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Scotland County Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotland County Board of Education as of June 30, 2005, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and the Federal Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2005 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Scotland County Board of Education, North Carolina. The individual nonmajor fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Dorian Hughes PLLC".

August 30, 2005
Rockingham, North Carolina

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, 2005. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- There were no significant changes in enrollment from previous years during the 2004-05 fiscal year.
- All remaining state and local bond funds were exhausted during the 2004-05 fiscal year.
- The Board of Education and Board of County Commissioners agreed on a joint resolution whereby excess capital outlay funds above those required for debt service payments and ADM match payments will be appropriated for school capital needs.

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. During the 2004-05 fiscal year the amount of funding for local current expense was based on this funding law as amended, and reflects an increase of \$427,279 over the previous year's funding. Future current expense funding will also be based on the amended formula, as determined by the average percentage change in current expense expenditures for low-wealth counties in the state.

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 combining and budgetary statements for nonmajor governmental funds and budgetary statements for enterprise funds.*

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

The second set of statements included in the basic financial statements is 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

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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.

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

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's only proprietary fund is an enterprise fund, the School Food Service Fund.

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

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Scotland County Board of Education has one fiduciary fund – the Administrative Fund, which is a scholarship fund under the control of the administrative unit. This is accounted for as a private purpose trust fund.

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

Financial Analysis of the Board as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$41.8 million as of June 30, 2005. The largest component of net assets is invested in capital assets, net of related debt, of \$40.4 million, which comprises 96.7% of the Board's total net assets.

Following is a summary of the Statement of Net Assets:

**Table 1
Condensed Statement of Net Assets
As of June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>
Current assets	\$ 5,275,830	\$ 5,324,679	\$ 728,566	\$ 597,226	\$ 6,004,396	\$ 5,921,905
Capital assets	<u>40,687,559</u>	<u>41,469,854</u>	<u>177,188</u>	<u>235,293</u>	<u>40,864,747</u>	<u>41,705,147</u>
Total assets	<u>45,963,389</u>	<u>46,794,533</u>	<u>905,754</u>	<u>832,519</u>	<u>46,869,143</u>	<u>47,627,052</u>
Current liabilities	2,018,778	1,950,488	46,943	39,196	2,065,721	1,989,684
Long-term liabilities	<u>2,928,861</u>	<u>3,298,928</u>	<u>66,747</u>	<u>70,759</u>	<u>2,995,608</u>	<u>3,369,687</u>
Total liabilities	<u>4,947,639</u>	<u>5,249,416</u>	<u>113,690</u>	<u>109,955</u>	<u>5,061,329</u>	<u>5,359,371</u>
Invested in capital assets, net of related debt	40,262,233	41,182,433	177,188	235,293	40,439,421	41,417,726
Restricted net assets	189,507	247,439	-	-	189,507	247,439
Unrestricted net assets	<u>564,010</u>	<u>193,059</u>	<u>614,876</u>	<u>455,847</u>	<u>1,178,886</u>	<u>648,906</u>
Total net assets	<u>\$ 41,015,750</u>	<u>\$ 41,622,931</u>	<u>\$ 792,064</u>	<u>\$ 691,140</u>	<u>\$ 41,807,814</u>	<u>\$ 42,314,071</u>

The net assets of the Board's governmental activities decreased from \$41.6 million at June 30, 2004 to \$41.0 million at June 30, 2005. This decrease of \$607,000 resulted primarily from depreciation expense recorded on our capital assets during the year of \$1.5 million.

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

The net assets of our business-type activities increased \$101,000 from \$691,000 at June 30, 2004 to \$792,000 at June 30, 2005. This increase of \$101,000 is the amount of net income generated by our school food service operations during the 2005 fiscal year.

The following table shows the revenues and expenses for the Board for the current fiscal year.

**Table 2
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years Ended June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,264,975	\$ 1,191,726	\$ 910,368	\$ 932,101	\$ 2,175,343	\$ 2,123,827
Operating grants and contributions	43,729,235	41,956,584	2,556,333	2,487,360	46,285,568	44,443,944
Capital grants and contributions	660,026	419,389	-	-	660,026	419,389
General revenues:						
Other revenues	<u>10,267,365</u>	<u>10,941,387</u>	<u>1,512</u>	<u>774</u>	<u>10,268,877</u>	<u>10,942,161</u>
Total revenues	<u>55,921,601</u>	<u>54,509,086</u>	<u>3,468,213</u>	<u>3,420,235</u>	<u>59,389,814</u>	<u>57,929,321</u>
Expenses:						
Governmental activities:						
Instructional programs	40,826,105	40,080,502	-	-	40,826,105	40,080,502
Supporting services	14,211,772	13,900,626	-	-	14,211,772	13,900,626
Community services	100,546	131,857	-	-	100,546	131,857
Nonprogrammed charges	137,099	137,605	-	-	137,099	137,605
Depreciation	1,253,260	1,278,748	-	-	1,253,260	1,278,748
Business-type activities:						
School food service	-	-	<u>3,367,289</u>	<u>3,361,407</u>	<u>3,367,289</u>	<u>3,361,407</u>
Total expenses	<u>56,528,782</u>	<u>55,529,338</u>	<u>3,367,289</u>	<u>3,361,407</u>	<u>59,896,071</u>	<u>58,890,745</u>
Increase (decrease) in net assets	(607,181)	(1,020,252)	100,924	58,828	(506,257)	(961,424)
Beginning net assets	<u>41,622,931</u>	<u>42,643,183</u>	<u>691,140</u>	<u>632,312</u>	<u>42,314,071</u>	<u>43,275,495</u>
Ending net assets	<u>\$ 41,015,750</u>	<u>\$ 41,622,931</u>	<u>\$ 792,064</u>	<u>\$ 691,140</u>	<u>\$ 41,807,814</u>	<u>\$ 42,314,071</u>

During the year ended June 30, 2005, our governmental activities generated revenues of \$55.9 million compared with total expenses of \$56.5 million, resulting in the aforementioned decrease in our net assets for these activities of \$607,000. Our primary sources of revenue were funding from the State of North Carolina, the County of Scotland, and the United States government, which respectively comprised 64%, 16%, and 15% of our revenues. As would be expected, the major component of our expenditures was instructional programs, which accounted for 72% of our total expenditures during the most recent fiscal year. Of the remaining 28% of our total expenditures, 25% was attributable to supporting services.

The decrease in the net assets of our governmental activities during the fiscal year ended June 30, 2005 of \$607,000 represented an improvement in comparison to the \$1.0 million decrease experienced during the fiscal year ended June 30, 2004. This improvement resulted from the increase in our revenues which exceeded the corresponding increase in our expenditures. Our governmental activity revenues increased \$1.4 million during the current year in comparison to the fiscal year ended June 30, 2004. This increase is primarily attributable to increases of \$1.8 million in state and federal grant revenues. Expenditures for the fiscal year ended June 30, 2005 increased \$1.0 million as compared with the prior year. This increase was primarily attributable to increases in instructional programs and supporting services which increased \$746,000 and \$311,000, respectively.

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

Our business-type activities generated revenue of \$3.5 million and had expenses of \$3.4 million, an increase of \$101,000, resulting in the aforementioned increase in net assets of \$101,000. This represents an improvement of \$42,000 over the \$59,000 increase in net assets for the fiscal year ended June 30, 2004. This improvement is primarily due to an increase of \$69,000 in operating grants and contributions, primarily Federal reimbursements which increased \$58,000.

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 \$3.3 million at June 30, 2005, a \$195,000 decrease from last year. In all of the Board's governmental funds, except the State Public School Fund and the Federal Grants Fund which always report revenues equal to expenditures, our expenditures exceeded our revenues. Total revenues increased \$1.4 million due primarily to increases in state and federal grant revenues. Expenditures increased \$2.1 million due to increased instructional programs and supporting services costs.

Proprietary Funds: The Board's business-type fund, the School Food Service Fund, generated net income of \$101,000 during the year ended June 30, 2005, which was an improvement of \$42,000 over the net income of \$59,000 earned during the prior year.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for increases in revenue and expenditure expectations. For the year, the Board finished with expenditures in excess of revenues, net of changes in reserve for inventories, of \$19,000.

Capital Assets

Capital assets decreased by \$840,000, or 2.0% compared to the previous year. The decrease was primarily due to current year depreciation expense. The following is a summary of the capital assets, net of depreciation, at year-end.

**Table 3
Summary of Capital Assets
As of June 30, 2005 and 2004**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>
Land	\$ 467,029	\$ 467,029	\$ -	\$ -	\$ 467,029	\$ 467,029
Construction in progress	95,695	405,910	-	-	95,695	405,910
Buildings and improvements	38,671,700	39,372,277	-	-	38,671,700	39,372,277
Equipment and furniture	368,086	257,006	177,188	235,293	545,274	492,299
Vehicles	<u>1,085,049</u>	<u>967,632</u>	-	-	<u>1,085,049</u>	<u>967,632</u>
Total	<u>\$40,687,559</u>	<u>\$41,469,854</u>	<u>\$ 177,188</u>	<u>\$ 235,293</u>	<u>\$40,864,747</u>	<u>\$41,705,147</u>

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

Debt Outstanding

During the year, the Board's outstanding debt increased by \$138,000 due to the use of installment financing to pay for replacement school buses. 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.

Economic Factors

Enrollment figures are expected to remain unchanged over the next several years. The 2004-05 State Budget passed by the General Assembly included a \$72 million discretionary reduction to come from state funds allotted to local education agencies. For fiscal year 2004-05, Scotland County Schools' portion of the discretionary reduction was \$362,000. This required discretionary reduction will continue for the 2005-06 fiscal year.

The following factors affect the economic outlook of Scotland County.

- Due to the loss of several of its industries, Scotland County's unemployment rate is somewhat higher than the state average.
- A new Lowe's Home Improvement store opened in January, 2005, bringing approximately 130 new jobs to the area.
- The Economic Development Work Program committee has been formed and works to promote commercial and industrial development and growth of the Scotland County area.

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:

Sharon Hales, Finance Officer
Scotland County Board of Education
322 South Main Street
Laurinburg, NC 28352

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2005

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,313,027	\$ 658,112	\$ 3,971,139
Due from other governments	1,806,071	44,553	1,850,624
Receivables (net)	1,240	7,138	8,378
Internal balances	52,667	(52,667)	-
Inventories	102,825	71,430	174,255
Capital assets:			
Land, improvements, and construction in progress	562,724	-	562,724
Other capital assets, net of depreciation	40,124,835	177,188	40,302,023
Total capital assets	40,687,559	177,188	40,864,747
Total assets	45,963,389	905,754	46,869,143
Liabilities			
Accounts payable and accrued liabilities	177,776	4,870	182,646
Accrued salaries and wages payable	1,831,107	36,387	1,867,494
Unearned revenue	9,895	5,686	15,581
Long-term liabilities:			
Due within one year	1,837,786	46,901	1,884,687
Due in more than one year	1,091,075	19,846	1,110,921
Total liabilities	4,947,639	113,690	5,061,329
Net assets			
Invested in capital assets, net of related debt	40,262,233	177,188	40,439,421
Restricted for:			
Individual schools activities	189,507	-	189,507
Unrestricted	564,010	614,876	1,178,886
Total net assets	\$ 41,015,750	\$ 792,064	\$ 41,807,814

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

**SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional programs:							
Regular	\$ 25,261,516	\$ -	\$ 24,649,925	\$ -	\$ (611,591)	\$ -	\$ (611,591)
Special	9,890,862	-	8,590,482	-	(1,300,380)	-	(1,300,380)
Co-curricular	1,918,372	-	306	-	(1,918,066)	-	(1,918,066)
Remediation	74,732	-	77,321	-	2,589	-	2,589
Student services	3,197,502	1,240,712	2,920,311	-	963,521	-	963,521
Other	483,121	-	39,853	-	(443,268)	-	(443,268)
Support services:							
Instructional staff	1,207,901	-	833,159	-	(374,742)	-	(374,742)
Administrative	998,831	-	556,661	-	(442,170)	-	(442,170)
School administration	3,513,113	-	2,479,972	-	(1,033,141)	-	(1,033,141)
Business support	7,614,566	24,263	2,858,995	660,026	(4,071,282)	-	(4,071,282)
Central support	780,762	-	535,904	-	(244,858)	-	(244,858)
Other	96,599	-	8,416	-	(88,183)	-	(88,183)
Community services	100,546	-	24,698	-	(75,848)	-	(75,848)
Non-programmed charges	137,099	-	153,232	-	16,133	-	16,133
Unallocated depreciation expense**	1,253,269	-	-	-	(1,253,269)	-	(1,253,269)
Total governmental activities	56,528,782	1,264,975	43,729,235	660,026	(10,874,546)	-	(10,874,546)
Business-type activities:							
School food service	3,367,299	910,368	2,556,333	-	-	99,412	99,412
Total primary government	\$ 59,896,071	\$ 2,175,343	\$ 46,285,568	\$ 660,026	(10,874,546)	99,412	(10,775,134)
General revenues:							
Unrestricted county appropriations - operating					9,208,297	-	9,208,297
Investment earnings, unrestricted					71,728	1,512	73,240
Miscellaneous, unrestricted					987,340	-	987,340
Total general revenues					10,267,365	1,512	10,268,877
Change in net assets					(607,181)	100,924	(506,257)
Net assets - beginning, as previously reported					41,545,117	722,564	42,267,681
Prior period adjustment					77,814	(31,424)	46,390
Net assets - beginning, as restated					41,622,931	691,140	42,314,071
Net assets - ending					\$ 41,015,750	\$ 792,064	\$ 41,807,814

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

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

**SCOTLAND COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005**

Exhibit 3

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants Fund	Capital Outlay	Individual Schools	
Assets						
Cash and cash equivalents	\$ 2,397,964	\$ -	\$ 9,895	\$ 715,661	\$ 189,507	\$ 3,313,027
Accounts receivable	203	-	-	1,037	-	1,240
Due from other governments	150,010	1,539,369	116,692	-	-	1,806,071
Due from other funds	52,667	-	-	64,485	-	117,152
Inventories	102,825	-	-	-	-	102,825
Total assets	\$ 2,703,669	\$ 1,539,369	\$ 126,587	\$ 781,183	\$ 189,507	\$ 5,340,315
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 177,718	\$ -	\$ -	\$ 58	\$ -	\$ 177,776
Accrued salaries and wages payable	175,046	1,539,369	116,692	-	-	1,831,107
Due to other funds	64,485	-	-	-	-	64,485
Unearned revenue	-	-	9,895	-	-	9,895
Total liabilities	417,249	1,539,369	126,587	58	-	2,083,263
Fund balances:						
Reserved for:						
Inventories	102,825	-	-	-	-	102,825
State statute	202,880	-	-	65,522	-	268,402
Unreserved:						
Designated for subsequent year's expenditures	881,500	-	-	591,443	-	1,472,943
Undesignated, reported in:						
General Fund	1,099,215	-	-	-	-	1,099,215
Special Revenue Funds	-	-	-	-	189,507	189,507
Capital Projects Fund	-	-	-	124,160	-	124,160
Total fund balances	2,286,420	-	-	781,125	189,507	3,257,052
Total liabilities and fund balances	\$ 2,703,669	\$ 1,539,369	\$ 126,587	\$ 781,183	\$ 189,507	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 40,687,559

Some liabilities, such as installment purchases and compensated absences, are not due and payable in the current period and therefore are not reported in the funds. (2,928,861)

Net assets of governmental activities \$ 41,015,750

The notes to the 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, 2005

Exhibit 4

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants Fund	Capital Outlay	Individual Schools	
Revenues:						
State of North Carolina	\$ 537,910	\$ 35,176,294	\$ -	\$ 284,517	\$ -	\$ 35,998,721
Scotland County	9,208,297	-	-	-	-	9,208,297
U.S. Government	1,855,855	-	6,396,433	-	-	8,252,288
Other	1,277,973	-	-	356,404	1,240,712	2,875,089
Total revenues	12,880,035	35,176,294	6,396,433	640,921	1,240,712	56,334,395
Expenditures:						
Current:						
Instructional programs:						
Regular	2,928,047	16,847,640	1,344,750	-	-	21,120,437
Special	1,299,776	4,646,041	2,323,652	-	-	8,269,469
Co-curricular	305,002	-	250	-	1,298,644	1,603,896
Remediation	-	62,481	-	-	-	62,481
Student services	304,926	1,654,231	714,184	-	-	2,673,341
Other	942,632	5,651,740	876,722	-	-	7,471,094
Support services:						
Instructional staff	353,095	312,747	374,405	-	-	1,040,247
Administrative	400,855	180,283	279,058	-	-	860,196
School administration	989,052	2,033,338	3,111	-	-	3,025,501
Business support	4,060,613	2,238,609	109,931	-	-	6,409,153
Central support	232,313	437,043	3,038	-	-	672,394
Other	863,630	1,112,141	189,402	-	-	2,165,173
Community services	75,848	-	24,698	-	-	100,546
Non-programmed charges	180,206	-	153,232	-	-	333,438
Debt service:						
Principal	-	-	-	284,517	-	284,517
Capital outlay:						
Land, buildings, and site improvement	-	-	-	292,744	-	292,744
Furnishings and equipment	-	-	-	178,883	-	178,883
Vehicles and other	-	-	-	425,582	-	425,582
Total expenditures	12,935,995	35,176,294	6,396,433	1,181,726	1,298,644	56,989,092
Revenues over (under) expenditures	(55,960)	-	-	(540,805)	(57,932)	(654,697)
Other financing sources (uses):						
Installment purchase obligations issued	-	-	-	422,422	-	422,422
Net change in fund balance	(55,960)	-	-	(118,383)	(57,932)	(232,275)
Fund balances:						
Beginning of year, as previously reported	2,227,244	-	-	899,508	247,439	3,374,191
Prior period adjustment	77,814	-	-	-	-	77,814
Beginning of year, as restated	2,305,058	-	-	899,508	247,439	3,452,005
Increase (decrease) in reserve for inventories	37,322	-	-	-	-	37,322
End of year	\$ 2,286,420	\$ -	\$ -	\$ 781,125	\$ 189,507	\$ 3,257,052

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

SCOTLAND COUNTY BOARD OF EDUCATION **Exhibit 5**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005

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

Net changes in fund balances - total governmental funds	\$ (232,275)
Change in fund balance due to change in reserve for inventory	37,322
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.	(773,276)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(137,905)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	507,972
Loss on disposal of fixed assets	<u>(9,019)</u>
Total changes in net assets of governmental activities	<u>\$ (607,181)</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
 GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2005

	General Fund			State Public School Fund			Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenues:										
State of North Carolina	\$ 688,110	\$ 546,932	\$ 537,910	\$ 34,813,692	\$ 36,374,589	\$ 35,176,294	\$ -	\$ -	\$ -	\$ -
Scotland County	9,663,691	9,208,297	9,208,297	-	-	-	-	-	-	-
U.S. Government	2,423,055	4,006,099	1,855,855	-	-	-	6,492,785	8,773,796	6,896,433	(2,377,363)
Other	-	1,024,561	1,277,973	-	-	-	-	-	-	-
Total revenues	12,774,856	14,785,889	12,880,035	34,813,692	36,374,589	35,176,294	6,492,785	8,773,796	6,396,433	(2,377,363)
Expenditures:										
Current:										
Instructional programs:										
Regular	3,159,935	3,359,588	2,928,047	16,898,746	17,075,769	16,847,640	1,284,820	1,504,462	1,344,750	159,712
Special	987,603	1,465,099	1,299,776	4,412,985	4,824,467	4,646,041	2,032,334	2,449,244	2,323,652	125,592
Co-Curricular	305,364	311,384	305,002	-	-	-	2,000	2,400	250	2,150
Remediation	-	-	-	-	62,520	62,481	-	-	-	-
Student services	276,239	388,067	304,926	1,612,817	1,708,098	1,654,231	632,287	832,739	714,184	118,555
Other	661,462	1,150,315	942,632	6,171,138	6,218,877	5,651,740	1,176,279	1,007,475	876,722	130,753
Supporting services:										
Instructional staff	272,203	991,864	365,095	331,178	314,192	312,747	272,202	419,176	374,405	44,771
Administrative	371,650	396,950	400,855	151,050	183,530	180,283	246,276	308,616	279,098	29,568
School administration	978,218	1,030,857	989,052	1,867,354	2,041,821	2,033,338	4,000	4,000	3,111	889
Business support	3,941,903	4,097,904	4,060,613	1,670,725	2,239,074	2,238,609	120,766	134,900	109,931	24,969
Central support	228,111	280,818	282,313	389,180	459,104	437,043	52,560	3,042	3,038	4
Other	891,814	933,614	863,630	1,208,919	1,247,147	1,112,141	201,970	232,902	189,402	43,500
Community services:										
Regular	65,725	67,375	66,197	-	-	-	23,975	23,965	19,268	4,697
Other	10,948	10,098	9,651	-	-	-	5,961	6,659	5,430	1,229
Nonprogrammed charges:										
Payments to other governments	219,916	249,895	180,206	-	-	-	163,187	171,057	153,232	17,825
Unbudgeted Federal grant funds	926,160	883,752	-	-	-	-	272,168	1,873,169	-	1,673,169
Contingency	30,000	30,000	-	-	-	-	-	-	-	-
Total expenditures	13,528,451	15,627,590	12,935,985	34,813,692	36,374,589	35,176,294	6,492,785	8,773,796	6,396,433	2,377,363
Revenues over (under) expenditures	(753,595)	(841,701)	(55,960)	-	-	-	-	-	-	-
Fund balance appropriated	753,595	841,701	-	-	-	-	-	-	-	-
Revenues and fund balance appropriated over (under) expenditures	\$ -	\$ -	(55,960)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:										
Beginning of year, as previously reported	-	-	2,227,244	-	-	-	-	-	-	-
Prior period adjustment	-	-	77,814	-	-	-	-	-	-	-
Beginning of year, as restated	-	-	2,305,058	-	-	-	-	-	-	-
Increase (decrease) in reserve for inventories	-	-	37,322	-	-	-	-	-	-	-
End of year	-	-	\$ 2,286,420	-	-	-	-	-	-	-

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

Exhibit 7

	Enterprise Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 658,112
Due from other governments	44,553
Accounts receivable	7,138
Inventories	71,430
Total current assets	<u>781,233</u>
Noncurrent assets:	
Capital assets:	
Equipment, furniture and vehicles, net	<u>177,188</u>
Total assets	<u>958,421</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	4,870
Accrued salaries and wages payable	36,387
Compensated absences	46,901
Due to other funds	52,667
Unearned revenue	5,686
Total current liabilities	<u>146,511</u>
Noncurrent liabilities:	
Compensated absences	<u>19,846</u>
Total liabilities	<u>166,357</u>
Net assets	
Invested in capital assets, net of related debt	177,188
Unrestricted	<u>614,876</u>
Total net assets	<u>\$ 792,064</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2005

Exhibit 8

	Enterprise Major Fund School Food Service
Operating revenues:	
Food sales	\$ 910,368
Operating expenses:	
Business support services:	
Purchase of food	1,287,690
Salaries and benefits	1,654,824
Indirect costs	216,456
Materials and supplies	99,067
Repairs and maintenance	10,322
Depreciation	32,289
Other	66,641
Total operating expenses	<u>3,367,289</u>
Operating income (loss)	<u>(2,456,921)</u>
Nonoperating revenues:	
Federal reimbursements	2,344,301
Fruit and Vegetable program	4,495
Federal commodities	175,146
State Kindergarten Breakfast Program	8,389
Other grant programs	24,002
Interest earned	1,512
Total nonoperating revenues	<u>2,557,845</u>
Change in net assets	<u>100,924</u>
Net assets, beginning of year, as previously reported	722,564
Prior period adjustment	<u>(31,424)</u>
Net assets, beginning of year, as restated	<u>691,140</u>
Net assets, end of year	<u>\$ 792,064</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
For the Fiscal Year Ended June 30, 2005

Exhibit 9

	Enterprise Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 910,368
Cash paid for goods and services	(1,457,947)
Cash paid to employees for services	(1,647,143)
Net cash provided (used) by operating activities	<u>(2,194,722)</u>
Cash flows from noncapital financing activities:	
Federal grants and reimbursements	2,350,980
State Kindergarten Breakfast Program	8,389
Other grant programs	24,002
Net cash provided (used) by noncapital financing activities	<u>2,383,371</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(5,608)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>1,512</u>
Net increase (decrease) in cash and cash equivalents	184,553
Cash and cash equivalents, beginning of year	<u>473,559</u>
Cash and cash equivalents, end of year	<u>\$ 658,112</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (2,456,921)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	32,289
Donated commodities	175,146
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(3,490)
(Increase) decrease in inventories	13,406
Increase (decrease) in accounts payable and accrued liabilities	(4,354)
Increase (decrease) in accrued salaries and wages payable	11,693
Increase (decrease) in due to other funds	41,113
Increase (decrease) in deferred revenue	408
Increase (decrease) in compensated absences payable	(4,012)
Total adjustments	<u>262,199</u>
Net cash provided (used) by operating activities	<u>\$ (2,194,722)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$175,146 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on exhibit 8.

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2005

Exhibit 10

	<u>Fiduciary Fund</u>
Assets	
Cash and cash equivalents	\$ 199,070
Liabilities	<u>-</u>
Net assets	
Assets held in trust for private purpose	<u>\$ 199,070</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2005

Exhibit 11

	<u>Fiduciary Fund</u>
Additions:	
Contributions and other revenue	\$ 9,679
Deductions:	
Instructional costs	<u>4,750</u>
Change in net assets	<u>4,929</u>
Beginning net assets, as previously reported	271,955
Prior period adjustment	<u>(77,814)</u>
Beginning net assets, as restated	<u>194,141</u>
Ending net assets	<u>\$ 199,070</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Board's funds. Separate statements for each fund category – *governmental, 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 funds are 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.

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, 2005

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 Scotland County bonds issued for public school construction, as well as certain State assistance.

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

Administrative Fund. The Administrative 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 are both restricted and unrestricted net assets available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

**SCOTLAND COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2005**

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. The Board has authorized the Superintendent to move moneys (up to \$15,000) from one function to another within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$15,000. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The net effects are as follows:

<u>Fund</u>	<u>Net Increase (Decrease) in Original Budget</u>
General Fund	\$ 2,099,139
State Public School Fund	1,560,897
Federal Grants Fund	2,281,011
Capital Projects Fund	635,728
School Food Service Fund	39,751

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 115C-443] authorizes the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund; and the North Carolina State Treasurer's Short Term Investment Fund (STIF). The STIF 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.

**SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

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

2. Cash and Cash Equivalents

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

3. Inventories

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

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

4. Capital Assets

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

For capital assets utilized in governmental activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years, while for capital assets utilized in business-type activities, 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.

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 building and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

5. Long-term obligations

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

6. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2005 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

7. Net Assets/Fund Balances

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

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

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

The governmental fund types classify fund balances as follows:

Reserved:

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

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

Unreserved:

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation which has been designated for the adopted 2005-2006 budget ordinance.

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

8. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$37,758,698 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)	\$ 59,570,504
Less accumulated depreciation	<u>(18,882,945)</u>
Net capital assets	40,687,559
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 purchase	(425,326)
Compensated absences	<u>(2,503,535)</u>
Total adjustment	<u>\$ 37,758,698</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 assets of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$374,906) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 705,803
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	(1,479,079)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets	(422,422)
Principal payments on debt owed are recorded as a use of funds on the fund statements but affect only the statement of net assets in the government-wide statements	284,517

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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:

Loss on disposal of assets	(9,019)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	507,972
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>37,322</u>
Total adjustment	<u>\$ (374,906)</u>

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2005, the Board had deposits with banks and savings and loans with a carrying amount of \$1,049,456 and with the State Treasurer of \$9,895. The bank balances with the financial institutions and the State Treasurer were \$1,298,792, and \$659,438, respectively. Of these balances, \$284,077 was covered by federal depository insurance and \$1,674,153 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2005, the Board of Education had \$3,110,858 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.41 years at June 30, 2005. The Board has no policy for managing interest rate risk or credit risk.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2005, were as follows:

	Due from other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ 52,667	\$ 150,010	\$ 203
Other governmental activities	<u>-</u>	<u>1,656,061</u>	<u>1,037</u>
Total	<u>\$ 52,667</u>	<u>\$ 1,806,071</u>	<u>\$ 1,240</u>
Business-type activities:			
School Food Service	<u>\$ (52,667)</u>	<u>\$ 44,553</u>	<u>\$ 7,138</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 150,010	State and Federal grant funds and various amounts from Scotland County
State Public School Fund	1,539,369	Operating funds from DPI
Federal Grants Fund	<u>116,692</u>	Federal grant funds
	<u>\$ 1,806,071</u>	
Business-type activities:		
School food Service	<u>\$ 44,553</u>	USDA reimbursement

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

4. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreased</u>	<u>Adjustments</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 467,029	\$ -	\$ -	\$ -	\$ 467,029
Construction in progress	<u>405,910</u>	<u>44,123</u>	<u>354,338</u>	<u>-</u>	<u>95,695</u>
Total capital assets not being depreciated	<u>872,939</u>	<u>44,123</u>	<u>354,338</u>	<u>-</u>	<u>562,724</u>
Capital assets being depreciated:					
Buildings and improvements	52,061,722	354,338	-	-	52,416,060
Equipment and furniture	979,210	239,258	16,411	-	1,202,057
Vehicles	<u>5,015,053</u>	<u>422,422</u>	<u>47,812</u>	<u>-</u>	<u>5,389,663</u>
Total capital assets being depreciated	<u>58,055,985</u>	<u>1,016,018</u>	<u>64,223</u>	<u>-</u>	<u>59,007,780</u>
Less accumulated depreciation for:					
Buildings and improvements	12,689,445	1,054,915	-	-	13,744,360
Equipment and furniture	722,204	119,159	7,392	-	833,971
Vehicles	<u>4,047,421</u>	<u>305,005</u>	<u>47,812</u>	<u>-</u>	<u>4,304,614</u>
Total accumulated depreciation	<u>17,459,070</u>	<u>1,479,079</u>	<u>55,204</u>	<u>-</u>	<u>18,882,945</u>
Total capital assets being depreciated, net	<u>40,596,915</u>				<u>40,124,835</u>
Governmental activity capital assets, net	<u>\$ 41,469,854</u>				<u>\$ 40,687,559</u>
Business-type activities:					
School Food Service Fund:					
Capital assets being depreciated:					
Equipment, furniture and vehicles	\$ 842,637	\$ 5,608	\$ 2,579	\$ (14,220)	\$ 831,446
Less accumulated depreciation for:					
Equipment, furniture and vehicles	<u>607,344</u>	<u>32,289</u>	<u>2,579</u>	<u>17,204</u>	<u>654,258</u>
School Food Service capital assets, net	<u>\$ 235,293</u>				<u>\$ 177,188</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 1,253,260
Business support services	<u>225,819</u>
Total	<u>\$ 1,479,079</u>

See "Note 4 – Prior Period Adjustments" for explanation of amounts in the "Adjustments" column above.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

B. Liabilities

1. Pension Plan Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Scotland County Board of Education contributes to the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS provides retirement benefits to plan members and beneficiaries. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary and the Board is required to contribute at an actuarially determined rate. The current rate is 5.82% of annual covered payroll. The contribution requirements of plan members and Scotland County Board of Education are established and may be amended by the North Carolina General Assembly. The Board's contributions to TSERS for the years ended June 30, 2005, 2004, and 2003 were \$2,052,565, \$1,205,549, and \$1,056,716, respectively, equal to the required contributions for each year.

b. Post-employment Benefits

In addition to providing pension benefits, the Board provides disability benefits and post-employment health care benefits and death benefits, in accordance with State statutes, to certain employees. These benefits are provided through multiple-employer cost-sharing plans administered by the State. The Board makes monthly contributions to the State for these benefits. Health care benefits are provided to retirees (at no charge to the retirees) of the Teachers' and State Employees' Retirement System (System) who have at least five years of contributing membership in the System. These benefits are provided through the State's Comprehensive Major Medical Plan. Once retirees become eligible for Medicare coverage, they must elect to participate in Part A and Part B coverage to maintain the level of coverage provided prior to 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.

Death benefits are provided through the Benefit Plan for members of the Teachers' and State Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. Employees who die in active service after one year of contributing membership service in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's highest 12 months salary in a row during the 24 months prior to his/her death with a minimum benefit of \$25,000 and a maximum of \$50,000.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (Disability Income Plan), a multiple-employer State-administered cost-sharing plan, which also is funded on a one-year term cost basis. Long-term disability benefits are payable from the Disability Income Plan after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits if the following requirements are met: 1) the employee has five years of contributing membership service in the System earned within 96 months prior to the end of the short-term disability period; 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, whichever is later; and 3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her occupation; 4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; 5) the employee must terminate employment with the State; and 6) the employee must not be eligible to receive an unreduced retirement benefit from the System. In addition, recipients of the long-term disability benefits are eligible to receive State-paid health insurance coverage. The monthly long-term disability benefit is equal to 65 percent of one-twelfth of an employee's annual base rate of compensation reduced by any social security or workers' compensation to which the recipient may be entitled up to a maximum of \$3,900 per month, plus additional minor adjustments. When an employee qualifies for an unreduced service retirement allowance from the System, the benefits payable from the Disability Income Plan will cease, and the employee will commence retirement under the Teachers' and State Employees' Retirement System. Effective August 1, 2005, employees that have not yet vested in the long-term disability plan (i.e. employees that do not have 5 years of membership service as of August 1, 2005) will have to comply with revised standards to determine long-term disability.

All short-term disability benefit payments are made by various State-administered plans. The Board has no liability beyond payment of monthly contributions except for short-term disability benefits, which are paid by the Board during the first six months of the short-term period. Contributions are determined as a percentage of covered monthly payroll. Annually, the State sets monthly contribution rates for post-employment health care benefits, death benefits, and disability benefits, which are the same for all boards of education across the State. For the fiscal year ended June 30, 2005, the Board made contributions to the State for post-employment health care benefits of \$1,129,528 and disability benefits of \$157,075; these contributions represented 3.20% and .445% of covered payroll, respectively. The Board made no contributions for death or disability benefits during the fiscal year ended June 30, 2005. The contributions for post-employment health care benefits and disability benefits cannot be separated between the postemployment benefit amounts and the other employee benefit amounts. Because the benefit payments are made by the various State-administered plans and not by the Board, the Board does not determine the number of eligible participants.

2. Accounts Payable

Accounts payable as of June 30, 2005 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>
Governmental activities:		
General	\$ 177,718	\$ 175,046
Other governmental	<u>58</u>	<u>1,656,061</u>
Total governmental activities	<u>\$ 177,776</u>	<u>\$ 1,831,107</u>
Business-type activities:		
School Food Service	<u>\$ 4,870</u>	<u>\$ 36,387</u>

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

3. Unearned Revenues

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

Unearned Federal grants (Special Revenue Funds)	\$ 9,895
Prepayments of meals (School Food Service Fund)	<u>5,686</u>
Total	<u>\$ 15,581</u>

4. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, workers' compensation coverage is provided by Key Risk Insurance Company up to \$100,000 per accident. The State of North Carolina provides workers' compensation for employees to the extent they are paid from State funds. The Trust has an annual aggregate limit for general liability of \$2,000,000, and \$1,400,000 for errors and omissions. The Trust is reinsured through commercial companies for losses in excess of \$100,000 per claim for errors and omissions and general liability coverage. 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, insuring the tangible property assets of the Board. The Fund provides coverage up to \$10 million per occurrence and \$20 million in aggregate annually. Excess reinsurance is purchased through commercial insurers, who participate in property losses in excess of the Fund's self-insured retention of \$10 million. A total limit of \$100 million per occurrence is purchased for covered catastrophic events, \$400 million maximum per occurrence for any one flood or earthquake.

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.

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

5. Contingent Liabilities

At June 30, 2005, the Board was a defendant to various lawsuits. The Board's management and the Board's attorney have been unable to determine whether these legal matters will have a material adverse effect on the Board's financial position.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005

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 third party financing arrangement by DaimlerChrysler Services. During 2003, 2004 and 2005, the Board entered into three financing contracts for the purchase of school buses. The financing contracts each require three equal principal-only payments ranging from \$59,457 to \$140,807 due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2005 are as follows:

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2006	\$284,519
2007	<u>140,807</u>
	<u>\$425,326</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, 2005:

	<u>July 1,</u> <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30,</u> <u>2005</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Installment purchases	\$ 287,421	\$ 422,422	\$ 284,517	\$ 425,326	\$ 284,518
Compensated absences	<u>3,011,507</u>	<u>1,972,291</u>	<u>2,480,263</u>	<u>2,503,535</u>	<u>1,553,268</u>
Total	<u>\$3,298,928</u>	<u>\$2,394,713</u>	<u>\$2,764,780</u>	<u>\$2,928,861</u>	<u>\$ 1,837,786</u>
Business-type activities:					
Compensated absences	<u>\$ 70,759</u>	<u>\$ 70,464</u>	<u>\$ 74,476</u>	<u>\$ 66,747</u>	<u>\$ 46,901</u>

Compensated absences are typically liquidated by the general and other governmental funds.

c. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Outlay Fund	General Fund	\$ 64,485
General Fund	School Food Service Fund	<u>52,667</u>
	Total	<u>\$ 117,152</u>

**SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

The above amounts represent \$64,485 of cumulative transportation revenues received by the General Fund and owed to the Capital Outlay Fund and \$52,667 of indirect costs owed by the School Food Service Fund to the General Fund at June 30, 2005.

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.

Amounts Owed to Charter Schools for Prior Years' Supplemental Tax and Fines and Forfeitures Revenues

Due to a recent State Supreme Court ruling, Scotland County Board of Education may be required to make retroactive payments to various charter schools in its vicinity. These payments represent a portion of the fines and forfeitures and supplemental school tax revenue that the Board has received over the past three years. If requested to do so, the Board must make these payments to the charter schools during the upcoming fiscal year. The amount of these payments has not yet been determined but is not expected to have an adverse effect on the financial condition of the Board.

NOTE 4 - PRIOR PERIOD ADJUSTMENTS

An adjustment of \$77,814 was made in the General Fund to record cash that had been incorrectly reflected in the Fiduciary Fund in the June 30, 2004 financial statements. This adjustment resulted in an increase of \$77,814 to beginning net assets in the General Fund and a decrease of \$77,814 to beginning net assets in the Fiduciary Fund.

An adjustment of \$31,424 was made in the School Food Service Fund to remove \$14,220 of assets below the Board's capitalization threshold that had been improperly capitalized in prior years and to increase beginning accumulated depreciation by \$17,204 due to having incorrectly reported accumulated depreciation on prior year disposals. These adjustments resulted in a decrease of \$31,424 to beginning net assets in the School Food Service Fund.

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2005

	Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Textbooks	\$ 344,642	\$ 375,509	\$ 30,867
Project STAY	93,660	90,580	(3,080)
School Nurse Initiative	98,630	61,821	(36,809)
State Improvement Grant	10,000	10,000	-
Total State of North Carolina	<u>546,932</u>	<u>537,910</u>	<u>(9,022)</u>
Scotland County appropriation	<u>9,208,297</u>	<u>9,208,297</u>	<u>-</u>
U.S. Government:			
Workforce Investment Act	513,755	445,549	(68,206)
Indian Education Act	159,460	159,460	-
Twenty-first Century Community Learning Centers	1,858,628	786,419	(1,072,209)
Safe Schools / Healthy Students	947,980	194,628	(753,352)
Smaller Learning Communities	411,689	141,952	(269,737)
ROTC	40,000	51,683	11,683
FIE Earmark	69,587	69,535	(52)
Impact Aid	5,000	6,629	1,629
Total U.S. Government	<u>4,006,099</u>	<u>1,855,855</u>	<u>(2,150,244)</u>
Other:			
Tuition and fees	5,740	8,540	2,800
Contributions and donations	138,251	138,251	-
Reimbursements	427,351	461,280	33,929
Fines and forfeitures	175,000	162,159	(12,841)
Interest earned on investment	50,000	52,086	2,086
Rental of school property	10,000	15,723	5,723
Indirect costs allocated	200,000	412,795	212,795
Miscellaneous	18,219	27,139	8,920
Total other	<u>1,024,561</u>	<u>1,277,973</u>	<u>253,412</u>
Total revenues	<u>14,785,889</u>	<u>12,880,035</u>	<u>(1,905,854)</u>
Expenditures:			
Current:			
Instructional programs:			
Regular	3,359,598	2,928,047	431,551
Special	1,465,099	1,299,776	165,323
Co-Curricular	311,384	305,002	6,382
Student services	368,067	304,926	63,141
Other	1,150,315	942,632	207,683
Total instructional programs	<u>6,654,463</u>	<u>5,780,383</u>	<u>874,080</u>
Supporting services:			
Instructional staff	991,864	353,095	638,769
Administrative	396,950	400,855	(3,905)
School administration	1,030,857	989,052	41,805
Business support	4,097,904	4,060,613	37,291
Central support	280,818	232,313	48,505
Other	933,614	863,630	69,984
Total supporting services	<u>7,732,007</u>	<u>6,899,558</u>	<u>832,449</u>

**SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
Community services:			
Regular	\$ 67,375	\$ 66,197	\$ 1,178
Other	<u>10,098</u>	<u>9,651</u>	<u>447</u>
Total community services	<u>77,473</u>	<u>75,848</u>	<u>1,625</u>
Nonprogrammed charges:			
Payments to other governments	249,895	180,206	69,689
Unbudgeted Federal grant funds	883,752	-	883,752
Contingency	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total nonprogrammed charges	<u>1,163,647</u>	<u>180,206</u>	<u>983,441</u>
Total expenditures	<u>15,627,590</u>	<u>12,935,995</u>	<u>2,691,595</u>
Revenues over (under) expenditures	(841,701)	(55,960)	785,741
Fund balance appropriated	<u>841,701</u>	<u>-</u>	<u>(841,701)</u>
Revenues and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>(55,960)</u>	<u>\$ (55,960)</u>
Fund balance:			
Beginning of year, as previously reported		2,227,244	
Prior period adjustment		<u>77,814</u>	
Beginning of year, as restated		<u>2,305,058</u>	
Increase (decrease) in reserve for inventories		<u>37,322</u>	
End of year		<u>\$ 2,286,420</u>	

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL OUTLAY FUND
For the Fiscal Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Building Bonds	\$ 135	\$ -	\$ (135)
State appropriations - school buses	<u>284,517</u>	<u>284,517</u>	<u>-</u>
Total State of North Carolina	<u>284,652</u>	<u>284,517</u>	<u>(135)</u>
Other:			
Fines and forfeitures	275,000	225,891	(49,109)
Interest earned on investment	-	19,642	19,642
Miscellaneous	<u>133,023</u>	<u>110,871</u>	<u>(22,152)</u>
Total other	<u>408,023</u>	<u>356,404</u>	<u>(51,619)</u>
Total revenues	<u>692,675</u>	<u>640,921</u>	<u>(51,754)</u>
Expenditures:			
Debt service:			
Principal	<u>424,517</u>	<u>284,517</u>	<u>140,000</u>
Capital outlay:			
Land, buildings, and site improvement	332,794	292,744	40,050
Furnishings and equipment	230,000	178,883	51,117
Vehicles and other	<u>490,189</u>	<u>425,582</u>	<u>64,607</u>
Total expenditures	<u>1,477,500</u>	<u>1,181,726</u>	<u>295,774</u>
Revenues over (under) expenditures	(784,825)	(540,805)	244,020
Other financing sources:			
Installment purchase obligations issued	<u>422,422</u>	<u>422,422</u>	<u>-</u>
Fund balance appropriated	<u>362,403</u>	<u>-</u>	<u>(362,403)</u>
Revenues, other financing sources, and fund balance appropriated over (under) expenditures	<u>\$ -</u>	<u>(118,383)</u>	<u>\$ (118,383)</u>
Fund balance:			
Beginning of year		<u>899,508</u>	
End of year		<u>\$ 781,125</u>	

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, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues - food sales	\$ 1,068,500	\$ 910,368	\$ (158,132)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,274,284	-
Salaries and benefits	-	1,658,836	-
Indirect costs	-	216,456	-
Materials and supplies	-	99,067	-
Repairs and maintenance	-	10,322	-
Other	-	66,641	-
Capital outlay	-	5,608	-
Total operating expenditures	<u>3,498,751</u>	<u>3,331,214</u>	<u>167,537</u>
Operating income (loss)	<u>(2,430,251)</u>	<u>(2,420,846)</u>	<u>9,405</u>
Nonoperating revenues:			
Federal reimbursements	2,232,200	2,344,301	112,101
Fruit and Vegetable Program	15,749	4,495	(11,254)
Federal commodities	158,000	175,146	17,146
State Kindergarten Breakfast Program	-	8,389	8,389
Other grant programs	24,002	24,002	-
Interest earned	<u>300</u>	<u>1,512</u>	<u>1,212</u>
Total nonoperating revenues	<u>2,430,251</u>	<u>2,557,845</u>	<u>127,594</u>
Revenues over(under) expenditures	<u>\$ -</u>	136,999	<u>\$ 136,999</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(32,289)	
Equipment purchases		5,608	
(Increase) decrease in compensated absences payable		4,012	
Increase (decrease) in inventory		<u>(13,406)</u>	
Net income (loss) (full accrual)		<u>\$ 100,924</u>	



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education
Scotland County, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scotland County Board of Education, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the Scotland County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated August 30, 2005. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Scotland County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Scotland County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other operational matters involving the internal control over financial reporting that we have reported to the management of the Scotland County Board of Education in a separate letter dated August 30, 2005.

This report is intended solely for the information and use of management, others within the organization, members of the Board, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes PLLC

August 30, 2005
Rockingham, North Carolina



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

Report On Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of Education
Scotland County, North Carolina

Compliance

We have audited the compliance of the Scotland County Board of Education, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2005. The Scotland County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Scotland County Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Scotland County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Scotland County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Scotland County Board of Education's compliance with those requirements.

In our opinion, the Scotland County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Scotland County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Scotland County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, members of the Board, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dixon Hughes PLLC". The signature is written in a cursive, flowing style.

*August 30, 2005
Rockingham, North Carolina*



DIXON HUGHES PLLC

Certified Public Accountants and Advisors

Report On Compliance With Requirements Applicable to Each Major State Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 and the State Single Audit Implementation Act

To the Board of Education
Scotland County, North Carolina

Compliance

We have audited the compliance of the Scotland County Board of Education, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major state programs for the year ended June 30, 2005. The Scotland County Board of Education's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Scotland County Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Scotland County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Scotland County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Scotland County Board of Education's compliance with those requirements.

In our opinion, the Scotland County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Scotland County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Scotland County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, members of the Board, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dixon Hughes PLLC". The signature is written in a cursive, flowing style.

*August 30, 2005
Rockingham, North Carolina*

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None*

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None*

Type of auditors' report issued on compliance for major federal programs *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 *No*

Identification of major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
10.553	Child Nutrition Cluster:
10.555	School Breakfast Program
10.559	National School Lunch Program
	Summer Food Service Program for Children
84.357A	Reading First
17.255	Workforce Investment Act

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 323,286*

Auditee qualified as low-risk auditee? *Yes*

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2005**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major state programs:

- Material weakness(es) identified? *No*
- Reportable condition(s) identified that are not considered to be material weaknesses *None*

Type of auditor's report issued on compliance for major state programs *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act *No*

Identification of major state programs:

Program Name

State Public School Fund
Textbooks

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

Section IV - State Award Findings and Questioned Costs

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

SCOTLAND COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2005

There were no findings or questioned costs related to our audit of Federal and state awards for the fiscal year ended June 30, 2004.

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2005

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:		
Cash Assistance:		
<u>U.S. Department of Agriculture</u>		
Food and Nutrition Service		
Passed-through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 568,902
National School Lunch Program	10.555	1,730,846
Division of Public Health:		
Summer Food Service Program for Children	10.559	44,553
Total Child Nutrition Cluster		<u>2,344,301</u>
Fruit and Vegetable Program	NONE	<u>4,495</u>
Total U.S. Department of Agriculture		<u>2,348,796</u>
<u>U.S. Department of Labor</u>		
Passed-through the Lumber River Council of Governments		
Workforce Investment Act	17.255	<u>445,549</u>
<u>U.S. Department of Education</u>		
Office of Elementary and Secondary Education		
Direct Programs:		
Impact Aid (School Assistance in Federally Affected Areas)	84.041	6,629
Twenty-first Century Community Learning Centers	84.287	786,419
Smaller Learning Communities	84.215L	141,952
FIE Earmark	84.215K	69,535
Safe Schools / Healthy Students	84.184L	194,628
Indian Education Act - Title IV, Part A	84.060	159,460
Passed-through the N.C. Department of Public Instruction:		
Education Consolidation and Improvement Act of 1981		
Improving America School Act of 1994 (IASA)		
Title I, Grants to Local Educational Agencies		
Educationally Deprived Children	84.010	2,052,002
Even Start	84.253	1,832
Twenty-first Century Community Learning Centers	84.287	498,588
Improving Teacher Quality	84.367A	475,714
Education Technology Formula	84.318X	54,752
Reading First	84.357A	1,401,104
Rural Low Income Schools	84.358B	196,873
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	42,733
Title VI, Federal, State, and Local Partnership for Innovative Programs	84.298	49,176

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2005

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Office of Special Education and Rehabilitative Services		
Passed-through the N.C. Department of Public Instruction:		
Special Education Cluster:		
Individuals with Disabilities Education Act		
Special Education - Grants to States	84.027	1,374,825
Special Education - Capacity Building / Improvement	84.027A	21,097
Special Education - Preschool Grants	84.173	80,024
Total Special Education Cluster		<u>1,475,946</u>
Passed-through the N.C. Department of Public Instruction:		
Carl D. Perkins Vocational and Applied Technology		
Education Act Amendments of 1990		
Basic Grants to States		
Program Development	84.048	<u>138,917</u>
Total U.S. Department of Education		<u>7,746,260</u>
<u>U.S. Department of Health and Human Services</u>		
Health Resources and Services Administration		
Passed-through the N.C. Department of Public Instruction:		
Abstinence Education	93.235	<u>8,796</u>
Other Federal Assistance:		
<u>U.S. Department of Defense</u>		
Direct Programs:		
ROTC	NONE	<u>51,683</u>
Total Federal Cash Assistance		<u>10,601,084</u>
Noncash Assistance:		
<u>U.S. Department of Agriculture</u>		
Passed-through the N.C. Department of Agriculture:		
Food Distribution Program	10.550	<u>175,146</u>
Total Federal Assistance		<u>10,776,230</u>

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2005

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
State Grants:		
Cash Assistance:		
<u>N.C. Department of Public Instruction:</u>		
State Public School Fund		33,237,396
Vocational Education		
State Months of Employment		1,557,670
Program Support Funds		127,026
Driver Training		162,556
School Technology Fund		91,646
State appropriations - buses		284,517
State Improvement Grant		10,000
Textbooks		<u>375,509</u>
 Total N.C. Department of Public Instruction		 <u>35,846,320</u>
<u>N.C. Department of Crime Control and Public Safety:</u>		
Division of Governor's Crime Commission:		
Project STAY		<u>90,580</u>
<u>N.C. Department of Agriculture:</u>		
State Kindergarten Breakfast Funds		<u>8,389</u>
<u>N.C. Department of Health and Human Services:</u>		
State School Nurse Initiative		<u>61,821</u>
 Total State Assistance		 <u>36,007,110</u>
 Total Federal and State Assistance		 <u>\$ 46,783,340</u>

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

1. Basis of Presentation

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