

**Scotland County Board of Education**

Financial Statements

For the Fiscal Year Ended June 30, 2007

**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, 2007 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Scotland County Board of Education as of June 30, 2007, 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 September 26, 2007 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 fund financial 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.

*Dixie Hughes PLLC*

September 26, 2007  
Southern Pines, North Carolina

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

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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, 2007. 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 2006-07 fiscal year.
- The Board receives funding from the Scotland County Board of Commissioners under Chapter 707 of the 1963 Session Laws, which was amended by the 2002 General Assembly. For the 2006-07 fiscal year, the Scotland County Board of Education requested only a 5% increase in the County Appropriation, while the new funding formula called for a 9% increase. In the interest of the economy of Scotland County, the Board of Education chose to decline the difference of \$381,000 for the 2006-07 year only. Future funding will 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 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.

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

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## **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.

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

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

*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 \$38.8 million as of June 30, 2007. The largest component of net assets is invested in capital assets, net of related debt, of \$39.2 million, which comprises 101.1% 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, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/07</u>	<u>6/30/06</u>
Current assets	\$ 4,551,962	\$ 4,621,033	\$ 821,227	\$ 631,768	\$ 5,373,189	\$ 5,252,801
Capital assets	<u>39,037,543</u>	<u>39,508,587</u>	<u>395,026</u>	<u>411,828</u>	<u>39,432,569</u>	<u>39,920,415</u>
Total assets	<u>43,589,505</u>	<u>44,129,620</u>	<u>1,216,253</u>	<u>1,043,596</u>	<u>44,805,758</u>	<u>45,173,216</u>
Current liabilities	4,429,530	3,416,188	120,646	148,830	4,550,176	3,565,018
Long-term liabilities	<u>1,417,375</u>	<u>1,507,411</u>	<u>40,777</u>	<u>30,727</u>	<u>1,458,152</u>	<u>1,538,138</u>
Total liabilities	<u>5,846,905</u>	<u>4,923,599</u>	<u>161,423</u>	<u>179,557</u>	<u>6,008,328</u>	<u>5,103,156</u>
Invested in capital assets, net of related debt	38,815,374	39,367,778	395,026	411,828	39,210,400	39,779,606
Restricted net assets	187,006	239,656	-	-	187,006	239,656
Unrestricted net assets	<u>(1,259,780)</u>	<u>(401,413)</u>	<u>659,804</u>	<u>452,211</u>	<u>(599,976)</u>	<u>50,798</u>
Total net assets	<u>\$ 37,742,600</u>	<u>\$ 39,206,021</u>	<u>\$ 1,054,830</u>	<u>\$ 864,039</u>	<u>\$ 38,797,430</u>	<u>\$ 40,070,060</u>

The net assets of the Board's governmental activities decreased from \$39.2 million at June 30, 2006 to \$37.7 million at June 30, 2007. This decrease of \$1.5 million resulted in part from a \$471,000 excess of depreciation expense recorded on our capital assets over capital additions for the year ended June 30, 2007. In addition, increased expenditures in the Capital Outlay Fund also contributed to the \$1.3 million decrease in net assets.

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

The net assets of our business-type activities increased \$191,000 from \$864,000 at June 30, 2006 to \$1.1 million at June 30, 2007. This increase of \$191,000 is the amount of net income generated by our school food service operations during the 2007 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, 2007 and 2006**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/07	6/30/06	6/30/07	6/30/06	6/30/07	6/30/06
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,290,360	\$ 1,359,769	\$ 773,479	\$ 864,365	\$ 2,063,839	\$ 2,224,134
Operating grants and contributions	48,875,261	44,384,910	2,769,292	2,627,725	51,644,553	47,012,635
Capital grants and contributions	633,200	682,901	-	-	633,200	682,901
<b>General revenues:</b>						
Other revenues	14,551,207	12,148,440	18,540	6,215	14,569,747	12,154,655
<b>Total revenues</b>	<b>65,350,028</b>	<b>58,576,020</b>	<b>3,561,311</b>	<b>3,498,305</b>	<b>68,911,339</b>	<b>62,074,325</b>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
Instructional programs	47,811,605	43,921,210	-	-	47,811,605	43,921,210
Supporting services	17,637,797	15,145,518	-	-	17,637,797	15,145,518
Community services	94,597	80,495	-	-	94,597	80,495
Nonprogrammed charges	46,416	34,080	-	-	46,416	34,080
Depreciation	1,223,034	1,204,446	-	-	1,223,034	1,204,446
<b>Business-type activities:</b>						
School food service	-	-	3,370,520	3,426,330	3,370,520	3,426,330
<b>Total expenses</b>	<b>66,813,449</b>	<b>60,385,749</b>	<b>3,370,520</b>	<b>3,426,330</b>	<b>70,183,969</b>	<b>63,812,079</b>
<b>Increase (decrease) in net assets</b>	<b>(1,463,421)</b>	<b>(1,809,729)</b>	<b>190,791</b>	<b>71,975</b>	<b>(1,272,630)</b>	<b>(1,737,754)</b>
<b>Beginning net assets</b>	<b>39,206,021</b>	<b>41,015,750</b>	<b>864,039</b>	<b>792,064</b>	<b>40,070,060</b>	<b>41,807,814</b>
<b>Ending net assets</b>	<b>\$ 37,742,600</b>	<b>\$ 39,206,021</b>	<b>\$ 1,054,830</b>	<b>\$ 864,039</b>	<b>\$ 38,797,430</b>	<b>\$ 40,070,060</b>

During the year ended June 30, 2007, our governmental activities generated revenues of \$65.4 million compared with total expenses of \$66.8 million, resulting in the aforementioned decrease in our net assets for these activities of \$1.5 million. 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 67%, 16%, and 13% 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, 26% was attributable to supporting services.

The decrease in the net assets of our governmental activities during the fiscal year ended June 30, 2007 of \$1.5 million represented an improvement of \$346,000 in comparison to the \$1.8 million decrease experienced during the fiscal year ended June 30, 2006. This improvement resulted from the increase in our revenues which exceeded the corresponding increase in our expenditures, primarily in the General Fund. Our governmental activity revenues increased \$6.8 million during the current year in comparison to the fiscal year ended June 30, 2006. This increase is primarily attributable to an increase of \$5.7 million in state grant revenues. Expenditures for the fiscal year ended June 30, 2007 increased \$6.4 million as compared with the prior year. This increase was primarily attributable to increases of \$3.9 million and \$2.5 million in instructional programs and supporting services, respectively.

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

Our business-type activities generated revenue of \$3.6 million and had expenses of \$3.4 million, resulting in the aforementioned increase in net assets of \$191,000. This represents an improvement of \$119,000 over the \$72,000 increase in net assets for the fiscal year ended June 30, 2006. This improvement is primarily due to an increase of \$142,000 in operating grant revenues.

**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 \$1.8 million at June 30, 2007, a \$738,000 decrease from the prior year. For the fiscal year ended June 30, 2007, expenditures exceeded revenues, net of changes in reserve for inventories, in the General, Capital Outlay and Individual Schools funds. The State Public School Fund and the Federal Grants Fund always report revenues equal to expenditures. Total revenues increased \$6.7 million due primarily to increases in state grant and Scotland County revenues. Expenditures increased \$7.0 million due to increased instructional programs, supporting services and capital outlay costs.

*Proprietary Funds:* The Board's business-type fund, the School Food Service Fund, generated net income of \$191,000 during the year ended June 30, 2007, which was an improvement of \$119,000 over the net income of \$72,000 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 \$152,000.

**Capital Assets**

Capital assets decreased by \$488,000, or 1.2% 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, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/07</u>	<u>6/30/06</u>	<u>6/30/07</u>	<u>6/30/06</u>
Land	\$ 467,029	\$ 467,029	\$ -	\$ -	\$ 467,029	\$ 467,029
Construction in progress	55,703	14,989	-	-	55,703	14,989
Buildings and improvements	37,186,414	37,735,559	-	-	37,186,414	37,735,559
Equipment and furniture	376,938	442,676	395,026	411,828	771,964	854,504
Vehicles	<u>951,459</u>	<u>848,334</u>	<u>-</u>	<u>-</u>	<u>951,459</u>	<u>848,334</u>
Total	<u>\$39,037,543</u>	<u>\$39,508,587</u>	<u>\$ 395,026</u>	<u>\$ 411,828</u>	<u>\$39,432,569</u>	<u>\$39,920,415</u>

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

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***Debt Outstanding***

During the year, the Board's outstanding debt increased by \$81,000. The Board borrowed \$333,250 during the year under an installment purchase contract to finance the purchase of replacement school buses. Repayments of installment purchase obligations totaled \$252,000 for the year. 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 all debt issued for school capital construction.

***Economic Factors***

Enrollment figures are expected to remain unchanged over the next several years. The 2006-07 State Budget passed by the General Assembly fully funded the Low-Wealth categorical allotment and eliminated the discretionary reduction to state funds which had been required for the past several years.

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 higher than the state average.
- 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, 2007**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,433,357	\$ 699,500	\$ 3,132,857
Due from other governments	2,032,810	25,715	2,058,525
Receivables (net)	12,904	5,663	18,567
Internal balances	16,570	(16,570)	-
Inventories	56,321	106,919	163,240
Capital assets:			
Land, improvements, and construction in progress	522,732	-	522,732
Other capital assets, net of depreciation	38,514,811	395,026	38,909,837
Total capital assets	<u>39,037,543</u>	<u>395,026</u>	<u>39,432,569</u>
 Total assets	 <u>43,589,505</u>	 <u>1,216,253</u>	 <u>44,805,758</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	613,391	13,605	626,996
Accrued salaries and wages payable	2,115,346	48,399	2,163,745
Unearned revenue	60,619	9,821	70,440
Long-term liabilities:			
Due within one year	1,640,174	48,821	1,688,995
Due in more than one year	<u>1,417,375</u>	<u>40,777</u>	<u>1,458,152</u>
 Total liabilities	 <u>5,846,905</u>	 <u>161,423</u>	 <u>6,008,328</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	38,815,374	395,026	39,210,400
Restricted for:			
Individual schools activities	187,006	-	187,006
Unrestricted (deficit)	<u>(1,259,780)</u>	<u>659,804</u>	<u>(599,976)</u>
 Total net assets	 <u>\$ 37,742,600</u>	 <u>\$ 1,054,830</u>	 <u>\$ 38,797,430</u>

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

Exhibit 2

SCOTLAND COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2007

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	\$ 29,871,347	-	\$ 26,484,904	-	\$ (3,386,443)	-	\$ (3,386,443)
Special	10,428,189	-	8,830,562	-	(1,597,627)	-	(1,597,627)
Co-curricular	2,000,403	-	-	-	(2,000,403)	-	(2,000,403)
Remediation	121,490	-	121,844	-	354	-	354
Student services	4,738,544	1,277,287	4,173,818	-	712,561	-	712,561
Other	651,632	-	529,721	-	(121,911)	-	(121,911)
Support services:							
Pupil	83,721	-	-	-	(83,721)	-	(83,721)
Instructional staff	1,617,803	-	1,135,017	-	(482,786)	-	(482,786)
Administrative	984,612	-	504,173	-	(480,439)	-	(480,439)
School administration	4,341,041	-	3,218,524	-	(1,122,517)	-	(1,122,517)
Business support	9,543,746	13,073	3,258,084	633,200	(5,639,389)	-	(5,639,389)
Central support	948,944	-	417,609	-	(531,335)	-	(531,335)
Other	117,930	-	62,549	-	(55,381)	-	(55,381)
Community services	94,597	-	-	-	(94,597)	-	(94,597)
Non-programmed charges	46,416	-	138,456	-	92,040	-	92,040
Unallocated depreciation expense**	1,223,034	-	-	-	(1,223,034)	-	(1,223,034)
Total governmental activities	66,813,449	1,290,360	48,875,261	633,200	(16,014,628)	-	(16,014,628)
Business-type activities:							
School food service	3,370,520	773,479	2,769,292	-	-	172,251	172,251
Total primary government	\$ 70,183,969	\$ 2,063,839	\$ 51,644,553	\$ 633,200	(16,014,628)	172,251	(15,842,377)
General revenues:							
Unrestricted county appropriations - operating					9,855,913	-	9,855,913
Unrestricted county appropriations - capital					675,188	-	675,188
Unrestricted State appropriations - operating					3,145,859	-	3,145,859
Unrestricted State appropriation - capital					395,008	-	395,008
Investment earnings, unrestricted					61,202	18,540	79,742
Miscellaneous, unrestricted					418,037	-	418,037
Total general revenues					14,551,207	18,540	14,569,747
Change in net assets					(1,463,421)	190,791	(1,272,630)
Net assets - beginning					39,206,021	864,039	40,070,060
Net assets - ending					\$ 37,742,600	\$ 1,054,830	\$ 38,797,430

\*\* 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, 2007**

**Exhibit 3**

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants Fund	Capital Outlay	Individual Schools	
<b>Assets</b>						
Cash and cash equivalents	\$ 1,807,346	\$ -	\$ -	\$ 420,736	\$ 205,275	\$ 2,433,357
Accounts receivable	1,891	-	-	11,013	-	12,904
Due from other governments	63,562	1,769,477	143,444	56,327	-	2,032,810
Due from other funds	16,570	-	-	-	-	16,570
Inventories	56,321	-	-	-	-	56,321
<b>Total assets</b>	<b>\$ 1,945,690</b>	<b>\$ 1,769,477</b>	<b>\$ 143,444</b>	<b>\$ 488,076</b>	<b>\$ 205,275</b>	<b>\$ 4,551,962</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 322,881	\$ -	\$ -	\$ 272,241	\$ 18,269	\$ 613,391
Accrued salaries and wages payable	202,425	1,769,477	143,444	-	-	2,115,346
Unearned revenue	-	-	-	60,619	-	60,619
<b>Total liabilities</b>	<b>525,306</b>	<b>1,769,477</b>	<b>143,444</b>	<b>332,860</b>	<b>18,269</b>	<b>2,789,356</b>
<b>Fund balances:</b>						
Reserved for:						
Inventories	56,321	-	-	-	-	56,321
State statute	82,023	-	-	11,013	-	93,036
Unreserved:						
Designated for subsequent year's expenditures	836,546	-	-	-	-	836,546
Undesignated, reported in:						
General Fund	445,494	-	-	-	-	445,494
Special Revenue Funds	-	-	-	-	187,006	187,006
Capital Projects Fund	-	-	-	144,203	-	144,203
<b>Total fund balances</b>	<b>1,420,384</b>	<b>-</b>	<b>-</b>	<b>155,216</b>	<b>187,006</b>	<b>1,762,606</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,945,690</b>	<b>\$ 1,769,477</b>	<b>\$ 143,444</b>	<b>\$ 488,076</b>	<b>\$ 205,275</b>	

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.	39,037,543
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.	(3,057,549)
<b>Net assets of governmental activities</b>	<b>\$ 37,742,600</b>

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, 2007**

Exhibit 4

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants Fund	Capital Outlay	Individual Schools	
<b>Revenues:</b>						
State of North Carolina	\$ 1,399,764	\$ 42,100,903	\$ -	\$ 646,898	\$ -	\$ 44,147,565
Scotland County	9,855,913	-	-	675,188	-	10,531,101
U.S. Government	1,591,935	-	6,922,240	-	-	8,514,175
Other	1,032,056	-	-	243,678	1,277,287	2,553,021
<b>Total revenues</b>	<b>13,879,668</b>	<b>42,100,903</b>	<b>6,922,240</b>	<b>1,565,764</b>	<b>1,277,287</b>	<b>65,745,862</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instructional programs:</b>						
Regular	3,343,156	19,967,565	1,037,282	-	-	24,348,003
Special	1,276,750	4,889,399	2,333,821	-	-	8,499,970
Co-curricular	300,582	-	-	-	1,329,937	1,630,519
Remediation	-	34,885	64,141	-	-	99,026
Student services	295,147	2,488,900	1,078,319	-	-	3,862,366
Other	1,113,249	7,142,866	987,601	-	-	9,243,716
<b>Support services:</b>						
Pupil	70,000	-	-	-	-	70,000
Instructional staff	419,020	375,905	557,732	-	-	1,352,657
Administrative	408,558	163,653	251,031	-	-	823,242
School administration	964,570	2,658,247	6,760	-	-	3,629,577
Business support	4,238,563	2,492,030	203,544	-	-	6,934,137
Central support	297,901	453,518	42,000	-	-	793,419
Other	1,083,591	1,433,935	221,553	-	-	2,739,079
Community services	94,597	-	-	-	-	94,597
Non-programmed charges	89,529	-	138,456	-	-	227,985
<b>Debt service:</b>						
Principal	-	-	-	251,890	-	251,890
<b>Capital outlay:</b>						
Land, buildings, and site improvement	-	-	-	1,692,913	-	1,692,913
Furnishings and equipment	-	-	-	153,859	-	153,859
Vehicles and other	-	-	-	333,250	-	333,250
<b>Total expenditures</b>	<b>13,995,213</b>	<b>42,100,903</b>	<b>6,922,240</b>	<b>2,431,912</b>	<b>1,329,937</b>	<b>66,780,205</b>
<b>Revenues over (under) expenditures</b>	<b>(115,545)</b>	<b>-</b>	<b>-</b>	<b>(866,148)</b>	<b>(52,650)</b>	<b>(1,034,343)</b>
<b>Other financing sources (uses):</b>						
Installment purchase obligations issued	-	-	-	333,250	-	333,250
<b>Net change in fund balance</b>	<b>(115,545)</b>	<b>-</b>	<b>-</b>	<b>(532,898)</b>	<b>(52,650)</b>	<b>(701,093)</b>
<b>Fund balances:</b>						
Beginning of year	1,572,550	-	-	688,114	239,656	2,500,320
Increase (decrease) in reserve for inventories	(36,621)	-	-	-	-	(36,621)
<b>End of year</b>	<b>\$ 1,420,384</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 155,216</b>	<b>\$ 187,006</b>	<b>\$ 1,762,606</b>

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

*Exhibit 5*

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2007**

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

Net changes in fund balances - total governmental funds	\$ (701,093)
Change in fund balance due to change in reserve for inventory	(36,621)
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.	(471,044)
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.	(81,360)
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	<u>(173,303)</u>
Total changes in net assets of governmental activities	<u>\$ (1,463,421)</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, 2007

	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	\$ 1,422,100	\$ 1,434,728	\$ 1,399,764	\$ (34,964)	\$ 43,462,684	\$ 42,100,903	\$ (1,361,781)	\$ -	\$ -	\$ -
Scotland County	9,855,913	9,855,913	9,855,913	-	-	-	-	-	-	(2,391,355)
U.S. Government	1,599,894	2,206,158	1,591,935	(614,223)	-	-	-	7,165,006	9,313,595	6,922,240
Other	739,009	901,886	1,032,056	130,170	-	-	-	-	-	-
Total revenues	13,876,916	14,398,685	13,879,668	(519,017)	41,327,899	42,100,903	(1,361,781)	7,165,006	9,313,595	6,922,240
Expenditures:										
Current:										
Instructional programs:										
Regular	3,545,408	3,444,231	3,343,156	101,075	20,033,309	19,967,565	247,521	1,112,593	1,257,937	1,037,282
Special	986,532	1,346,251	1,276,750	69,501	4,623,140	4,889,399	105,482	2,308,005	2,368,460	2,333,821
Co-Curricular	315,900	317,308	300,562	16,727	-	-	-	-	-	-
Remediation	-	-	-	-	-	51,355	16,470	-	72,180	64,141
Student services	362,855	428,215	295,147	133,068	2,235,102	2,488,900	120,670	717,711	1,194,121	8,039
Other	1,101,701	1,224,831	1,113,249	111,582	7,403,775	7,142,866	607,427	1,119,832	1,140,837	115,802
Supporting services:										
Pupil support	73,850	73,850	70,000	3,850	-	-	-	-	-	-
Instructional staff	625,908	609,801	419,020	190,781	378,962	377,232	1,327	617,066	648,127	90,395
Administrative	398,116	426,607	408,558	18,049	163,756	163,653	103	283,930	251,280	249
School administration	1,026,639	999,139	964,570	34,569	2,560,500	2,718,786	60,539	3,200	6,786	26
Business support	4,230,288	4,443,722	4,238,563	205,159	1,919,494	2,495,479	3,449	200,751	209,537	5,993
Central support	238,536	300,566	297,901	2,665	443,273	453,518	1,857	42,000	42,000	-
Other	1,048,286	1,189,538	1,083,591	105,947	1,566,588	1,630,871	196,936	216,077	246,009	24,456
Community services:										
Regular	70,293	83,845	80,500	3,345	-	-	-	-	-	-
Other	11,749	14,844	14,097	747	-	-	-	-	-	-
Nonprogrammed charges:										
Payments to other governments	186,653	161,962	89,529	72,433	-	-	-	154,240	144,282	138,456
Unbudgeted Federal grant funds	479,810	257,230	-	257,230	-	-	-	389,811	1,732,039	1,732,039
Total expenditures	14,772,424	15,321,941	13,995,213	1,326,728	41,327,899	43,462,684	1,361,781	7,165,006	9,313,595	6,922,240
Revenues over (under) expenditures	(895,508)	(923,256)	(115,545)	807,711	-	-	-	-	-	-
Fund balance appropriated	895,508	923,256	-	(923,256)	-	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	(115,545)	\$ (115,545)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:										
Beginning of year			1,572,550							
Increase (decrease) in reserve for inventories			(36,621)							
End of year			\$ 1,420,384							\$ -

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, 2007

Exhibit 7

	Enterprise Major Fund School Food Service
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 699,500
Due from other governments	25,715
Accounts receivable	5,663
Inventories	<u>106,919</u>
Total current assets	<u>837,797</u>
Noncurrent assets:	
Capital assets:	
Equipment, furniture and vehicles, net	<u>395,026</u>
Total assets	<u>1,232,823</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	13,605
Accrued salaries and wages payable	48,399
Compensated absences	48,821
Due to other funds	16,570
Unearned revenue	<u>9,821</u>
Total current liabilities	<u>137,216</u>
Noncurrent liabilities:	
Compensated absences	<u>40,777</u>
Total liabilities	<u>177,993</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	395,026
Unrestricted	<u>659,804</u>
Total net assets	<u>\$ 1,054,830</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, 2007**

**Exhibit 8**

	Enterprise Major Fund School Food Service
Operating revenues:	
Food sales	\$ 773,479
Operating expenses:	
Food cost:	
Purchase of food	1,023,733
Donated commodities	196,065
Salaries and benefits	1,670,926
Indirect costs	214,264
Materials and supplies	127,535
Repairs and maintenance	15,605
Noncapitalized equipment	41,159
Depreciation	50,094
Other	31,139
Total operating expenses	<u>3,370,520</u>
Operating income (loss)	<u>(2,597,041)</u>
Nonoperating revenues:	
Federal reimbursements	2,566,320
Federal commodities	196,065
State Kindergarten Breakfast Program	6,907
Interest earned	18,540
Total nonoperating revenues	<u>2,787,832</u>
Change in net assets	190,791
Net assets, beginning of year	<u>864,039</u>
Net assets, end of year	<u>\$ 1,054,830</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, 2007**

**Exhibit 9**

	Enterprise Major Fund School Food Service
Cash flows from operating activities:	
Cash received from customers	\$ 773,479
Cash paid for goods and services	(1,469,766)
Cash paid to employees for services	(1,689,973)
Net cash provided (used) by operating activities	<u>(2,386,260)</u>
Cash flows from noncapital financing activities:	
Federal grants and reimbursements	2,618,379
State Kindergarten Breakfast Program	6,907
Due to other funds	(155,677)
Net cash provided (used) by noncapital financing activities	<u>2,469,609</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(33,292)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>18,540</u>
Net increase (decrease) in cash and cash equivalents	68,597
Cash and cash equivalents, beginning of year	<u>630,903</u>
Cash and cash equivalents, end of year	<u>\$ 699,500</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (2,597,041)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	50,094
Donated commodities	196,065
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,801)
(Increase) decrease in inventories	(15,443)
Increase (decrease) in accounts payable and accrued liabilities	262
Increase (decrease) in accrued salaries and wages payable	(23,624)
Increase (decrease) in deferred revenue	651
Increase (decrease) in compensated absences payable	4,577
Total adjustments	<u>210,781</u>
Net cash provided (used) by operating activities	<u>\$ (2,386,260)</u>

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$196,065 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, 2007**

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	<u>Fiduciary Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>208,466</u>
<b>Liabilities</b>	<u>-</u>
<b>Net assets</b>	
Assets held in trust for private purpose	\$ <u>208,466</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, 2007**

**Exhibit 11**

	Fiduciary Fund
Additions:	
Contributions and other revenue	\$ 12,001
Deductions:	
Instructional costs	<u>6,412</u>
Change in net assets	5,589
Beginning net assets	<u>202,877</u>
Ending net assets	<u>\$ 208,466</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, 2007**

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**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, 2007**

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*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, 2007**

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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 transfer amounts between purposes and between functions within a purpose. A summary of all such transfers must be reported to the Board quarterly. The Superintendent may not transfer any amounts between funds nor from any contingency appropriation within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. 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)</u> <u>in Original Budget</u>
General Fund	\$ 549,517
State Public School Fund	2,134,785
Federal Grants Fund	2,148,589
Capital Projects Fund	1,296,936

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**  
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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 appropriate 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**  
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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, 2007 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 2007-2008 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, 2007**

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 \$35,979,994 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)	\$ 60,700,400
Less accumulated depreciation	<u>(21,662,857)</u>
Net capital assets	39,037,543
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	(222,169)
Compensated absences	<u>(2,835,380)</u>
Total adjustment	<u>\$ 35,979,994</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 (\$762,328) 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	\$ 932,353
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	(1,403,397)
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	(333,250)
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	251,890

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:

Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(173,303)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>(36,621)</u>
Total adjustment	<u>\$ (762,328)</u>

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2007, the Board reported expenditures within the Capital Outlay Fund that violate State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$333,250. Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations. The violation is considered to be immaterial because it resulted from the failure to budget for expenditures that were funded by installment purchase proceeds, resulting in a net impact of \$0 on the fund balance of the Capital Outlay Fund.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

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

At June 30, 2007, the Board had deposits with banks and savings and loans with a carrying amount of \$2,990,820 and with the State Treasurer of \$0-. The bank balances with the financial institutions and the State Treasurer were \$3,280,358, and \$557,534, respectively. Of these balances, \$300,000 was covered by federal depository insurance and \$2,980,358 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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2. Investments

At June 30 2007, the Board of Education had \$350,503 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.60 years at June 30, 2007. The Board has no policy for managing interest rate risk or credit risk.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2007, were as follows:

	<u>Due from other funds (Internal Balances)</u>	<u>Due from other governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 16,570	\$ 63,562	\$ 1,891	\$ 82,023
Other governmental activities	-	<u>1,969,248</u>	<u>11,013</u>	<u>1,980,261</u>
Total	<u>\$ 16,570</u>	<u>\$ 2,032,810</u>	<u>\$ 12,904</u>	<u>\$ 2,062,284</u>
Business-type activities:				
School Food Service	<u>\$ (16,570)</u>	<u>\$ 25,715</u>	<u>\$ 5,663</u>	<u>\$ 14,808</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 63,562	State and Federal grant funds
State Public School Fund	1,769,477	Operating funds from DPI
Federal Grants Fund	143,444	Federal grant funds
Capital Outlay Fund	<u>56,327</u>	State grant funds
	<u>\$ 2,032,810</u>	
Business-type activities:		
School Food Service	<u>\$ 25,715</u>	USDA reimbursement

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

4. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 467,029	\$ -	\$ -	\$ 467,029
Construction in progress	14,989	537,905	497,191	55,703
Total capital assets not being depreciated	<u>482,018</u>	<u>537,905</u>	<u>497,191</u>	<u>522,732</u>
Capital assets being depreciated:				
Buildings and improvements	52,536,845	527,096	-	53,063,941
Equipment and furniture	1,340,229	5,495	-	1,345,724
Vehicles	5,408,955	359,048	-	5,768,003
Total capital assets being depreciated	<u>59,286,029</u>	<u>891,639</u>	<u>-</u>	<u>60,177,668</u>
Less accumulated depreciation for:				
Buildings and improvements	14,801,286	1,076,241	-	15,877,527
Equipment and furniture	897,553	71,233	-	968,786
Vehicles	4,560,621	255,923	-	4,816,544
Total accumulated depreciation	<u>20,259,460</u>	<u>1,403,397</u>	<u>-</u>	<u>21,662,857</u>
Total capital assets being depreciated, net	<u>39,026,569</u>			<u>38,514,811</u>
Governmental activity capital assets, net	<u>\$ 39,508,587</u>			<u>\$ 39,037,543</u>
<b>Business-type activities:</b>				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment, furniture and vehicles	\$ 1,088,045	\$ 33,292	\$ -	\$ 1,121,337
Less accumulated depreciation for:				
Equipment, furniture and vehicles	676,217	50,094	-	726,311
School Food Service capital assets, net	<u>\$ 411,828</u>			<u>\$ 395,026</u>

Depreciation was charged to governmental functions as follows:

Unallocated depreciation	\$ 1,223,034
Business support services	<u>180,363</u>
Total	<u>\$ 1,403,397</u>

**SCOTLAND COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2007**

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Construction and Other Significant Commitments

The Board has active construction projects as of June 30, 2007. These projects include repairs and renovations at Scotland High School. At year-end, the Board's commitments with contractors for repairs and renovations are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Scotland High School - Repairs and renovations	\$ <u>267,774</u>	\$ <u>610,501</u>

**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 7.14% 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, 2007, 2006, and 2005 were \$2,938,387, \$2,532,930, and \$2,052,565, respectively, equal to the required contributions for each year.

**b. Other Post-employment Benefits**

The post-employment healthcare 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.

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, 2007, the Board made contributions to the State for post-employment health care benefits of \$1,563,847, these contributions represented 3.80% of covered payroll.

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

2. Other Employee Benefits

In addition to providing pension and post employment healthcare benefits, the Board provides disability benefits and death benefits, in accordance with State statutes, to certain employees. 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.

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.

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.

3. Accounts Payable

Accounts payable as of June 30, 2007 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 322,881	\$ 202,425	\$ 525,306
Other governmental	<u>290,510</u>	<u>1,912,921</u>	<u>2,203,431</u>
Total governmental activities	<u>\$ 613,391</u>	<u>\$ 2,115,346</u>	<u>\$ 2,728,737</u>
Business-type activities:			
School Food Service	<u>\$ 13,605</u>	<u>\$ 48,399</u>	<u>\$ 62,004</u>

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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4. Unearned Revenues

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

Unearned State lottery proceeds (Capital Outlay Fund)	\$ 60,619
Prepayments of meals (School Food Service Fund)	<u>9,821</u>
Total	<u>\$ 70,440</u>

5. Risk Management

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the North Carolina School Boards Trust (the Trust), a member funded risk management program administered by the North Carolina School Boards Association. Through the Trust, the Board maintains general liability and errors and omissions coverage of \$1 million per claim, 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 and errors and omissions of \$2,000,000. 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.

In Accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$175,000.

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

6. Contingent Liabilities

At June 30, 2007, 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, 2007**

7. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During 2005 and 2006, the Board entered into two financing contracts for the purchase of school buses. The financing contracts each require three equal principal-only payments of \$140,809 and \$111,084, respectively, due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2007 are as follows:

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2008	\$ 111,084
2009	<u>111,085</u>
	<u>\$ 222,169</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, 2007:

	<u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2007</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 140,809	\$ 333,250	\$ 251,890	\$ 222,169	\$ 111,084
Compensated absences	<u>2,662,077</u>	<u>2,202,945</u>	<u>2,029,642</u>	<u>2,835,380</u>	<u>1,529,090</u>
Total	<u>\$ 2,802,886</u>	<u>\$ 2,536,195</u>	<u>\$ 2,281,532</u>	<u>\$ 3,057,549</u>	<u>\$ 1,640,174</u>
Business-type activities:					
Compensated absences	<u>\$ 85,021</u>	<u>\$ 69,965</u>	<u>\$ 65,388</u>	<u>\$ 89,598</u>	<u>\$ 48,821</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, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	<u>\$ 16,570</u>

The above amount represents \$16,570 of indirect costs owed by the School Food Service Fund to the General Fund at June 30, 2007.

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2007**

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**NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2007**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
State of North Carolina:			
Textbooks	\$ 396,541	\$ 381,310	\$ (15,231)
More at Four	829,800	817,447	(12,353)
School Nurse Initiative	100,000	100,000	-
Other	108,387	101,007	(7,380)
Total State of North Carolina	<u>1,434,728</u>	<u>1,399,764</u>	<u>(34,964)</u>
Scotland County appropriation	<u>9,855,913</u>	<u>9,855,913</u>	<u>-</u>
U.S. Government:			
Workforce Investment Act	346,264	316,842	(29,422)
Indian Education Act	160,564	160,564	-
Safe Schools / Healthy Students	1,529,734	932,443	(597,291)
Smaller Learning Communities	119,596	119,596	-
ROTC	45,000	55,292	10,292
Impact Aid	5,000	7,198	2,198
Total U.S. Government	<u>2,206,158</u>	<u>1,591,935</u>	<u>(614,223)</u>
Other:			
Tuition and fees	3,000	2,834	(166)
Reimbursements	137,086	211,377	74,291
Fines and forfeitures	175,000	143,351	(31,649)
Private grants and programs	173,412	176,212	2,800
Interest earned on investment	50,000	56,190	6,190
Rental of school property	10,000	10,239	239
Indirect costs allocated	300,000	395,833	95,833
Miscellaneous	53,388	36,020	(17,368)
Total other	<u>901,886</u>	<u>1,032,056</u>	<u>130,170</u>
Total revenues	<u>14,398,685</u>	<u>13,879,668</u>	<u>(519,017)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Instructional programs:			
Regular	3,444,231	3,343,156	101,075
Special	1,346,251	1,276,750	69,501
Co-Curricular	317,309	300,582	16,727
Student services	428,215	295,147	133,068
Other	1,224,831	1,113,249	111,582
Total instructional programs	<u>6,760,837</u>	<u>6,328,884</u>	<u>431,953</u>
Supporting services:			
Pupil support	73,850	70,000	3,850
Instructional staff	609,801	419,020	190,781
Administrative	426,607	408,558	18,049
School administration	999,139	964,570	34,569
Business support	4,443,722	4,238,563	205,159
Central support	300,566	297,901	2,665
Other	1,189,538	1,083,591	105,947
Total supporting services	<u>8,043,223</u>	<u>7,482,203</u>	<u>561,020</u>

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
Community services:			
Regular	\$ 83,845	\$ 80,500	\$ 3,345
Other	<u>14,844</u>	<u>14,097</u>	<u>747</u>
Total community services	<u>98,689</u>	<u>94,597</u>	<u>4,092</u>
Nonprogrammed charges:			
Payments to other governments	161,962	89,529	72,433
Unbudgeted Federal grant funds	<u>257,230</u>	<u>-</u>	<u>257,230</u>
Total nonprogrammed charges	<u>419,192</u>	<u>89,529</u>	<u>329,663</u>
Total expenditures	<u>15,321,941</u>	<u>13,995,213</u>	<u>1,326,728</u>
Revenues over (under) expenditures	(923,256)	(115,545)	807,711
Fund balance appropriated	<u>923,256</u>	<u>-</u>	<u>(923,256)</u>
Net change in fund balance	<u>\$ -</u>	<u>(115,545)</u>	<u>\$ (115,545)</u>
Fund balance:			
Beginning of year		1,572,550	
Increase (decrease) in reserve for inventories		<u>(36,621)</u>	
End of year		<u>\$ 1,420,384</u>	

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**CAPITAL OUTLAY FUND**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Revenues:</b>			
State of North Carolina:			
State appropriations - school buses	\$ 251,890	\$ 251,890	\$ -
Lottery funds	<u>455,657</u>	<u>395,008</u>	<u>(60,649)</u>
Total State of North Carolina	<u>707,547</u>	<u>646,898</u>	<u>(60,649)</u>
Scotland County appropriation	<u>675,188</u>	<u>675,188</u>	<u>-</u>
Other:			
Fines and forfeitures	275,000	203,805	(71,195)
Interest earned on investment	-	5,012	5,012
Miscellaneous	-	<u>34,861</u>	<u>34,861</u>
Total other	<u>275,000</u>	<u>243,678</u>	<u>(31,322)</u>
Total revenues	<u>1,657,735</u>	<u>1,565,764</u>	<u>(91,971)</u>
<b>Expenditures:</b>			
Debt service:			
Principal	<u>251,890</u>	<u>251,890</u>	<u>-</u>
Capital outlay:			
Land, buildings, and site improvement	1,796,205	1,692,913	103,292
Furnishings and equipment	162,326	153,859	8,467
Vehicles and other	-	<u>333,250</u>	<u>(333,250)</u>
Total expenditures	<u>2,210,421</u>	<u>2,431,912</u>	<u>(221,491)</u>
Revenues over (under) expenditures	(552,686)	(866,148)	(313,462)
Other financing sources:			
Installment purchase obligations issued	-	<u>333,250</u>	<u>333,250</u>
Total other financing sources			<u>333,250</u>
Fund balance appropriated	<u>552,686</u>	-	<u>(552,686)</u>
Net change in fund balance	<u>\$ -</u>	<u>(532,898)</u>	<u>\$ (532,898)</u>
Fund balance:			
Beginning of year		<u>688,114</u>	
End of year		<u>\$ 155,216</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, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues - food sales	\$ 1,030,280	\$ 773,479	\$ (256,801)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,039,176	-
Donated commodities	-	196,065	-
Salaries and benefits	-	1,666,349	-
Indirect costs	-	214,264	-
Materials and supplies	-	127,535	-
Repairs and maintenance	-	15,605	-
Noncapitalized equipment	-	41,159	-
Other	-	31,139	-
Capital outlay	-	33,292	-
Total operating expenditures	<u>3,587,567</u>	<u>3,364,584</u>	<u>222,983</u>
Operating income (loss)	<u>(2,557,287)</u>	<u>(2,591,105)</u>	<u>(33,818)</u>
Nonoperating revenues:			
Federal reimbursements	2,376,780	2,566,320	189,540
Fruit and Vegetable Program	-	-	-
Federal commodities	179,507	196,065	16,558
State Kindergarten Breakfast Program	-	6,907	6,907
Other grant programs	-	-	-
Interest earned	<u>1,000</u>	<u>18,540</u>	<u>17,540</u>
Total nonoperating revenues	<u>2,557,287</u>	<u>2,787,832</u>	<u>230,545</u>
Net income (loss)	<u>\$ -</u>	<u>196,727</u>	<u>\$ 196,727</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(50,094)	
Equipment purchases		33,292	
(Increase) decrease in compensated absences payable		(4,577)	
Increase (decrease) in inventory		<u>15,443</u>	
Change in net assets (full accrual)		<u>\$ 190,791</u>	



**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
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, 2007, which collectively comprise the Scotland County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 26, 2007. 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.

***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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other operational matters involving the internal control over financial reporting that we have reported to management of the Scotland County Board of Education in a separate letter dated September 26, 2007.

***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*.

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.

*Dixie Hughes PLLC*

September 26, 2007  
Southern Pines, 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 *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, 2007. 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, 2007.

### ***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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Scotland County Board of Education's internal control over compliance.

A *control deficiency* in a Board's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Board's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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*

September 26, 2007  
Southern Pines, 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 Applicable Sections of 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 *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, 2007. 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; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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 State 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, 2007.

**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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Scotland County Board of Education's internal control over compliance.

A *control deficiency* in a Board's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the Board's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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*

September 26, 2007  
Southern Pines, North Carolina

**SCOTLAND COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2007**

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**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*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

Noncompliance material to financial statements noted *No*

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

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><b>CFDA Numbers</b></i>	<i><b>Name of Federal Program or Cluster</b></i>
84.010	Title I, Educationally Deprived Children
84.184L	Safe Schools/Healthy Students
84.287	Twenty-first Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 338,297*

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, 2007**

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**Section I - Summary of Auditors' Results (Continued)**

**State Awards**

Internal control over major state programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *None Reported*

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  
State lottery proceeds

**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, 2007***

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There were no findings or questioned costs related to our audit of Federal and state awards for the fiscal year ended June 30, 2006.

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2007**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
<b>Federal Grants:</b>		
<b>Cash Assistance:</b>		
<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	\$ 633,298
National School Lunch Program	10.555	<u>1,933,022</u>
Total Child Nutrition Cluster		<u>2,566,320</u>
Total U.S. Department of Agriculture		<u>2,566,320</u>
<u>U.S. Department of Labor</u>		
Passed-through the Lumber River Council of Governments		
Workforce Investment Act	17.259	<u>316,842</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	7,198
Smaller Learning Communities	84.215L	119,596
Safe Schools / Healthy Students	84.184L	932,443
Indian Education Act - Title IV, Part A	84.060	160,564
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	2,061,646
School Improvement	84.010A	24,640
Twenty-first Century Community Learning Centers	84.287	699,153
Improving Teacher Quality	84.367A	419,077
Education Technology	84.318	116,587
Reading First	84.357A	1,013,060
Rural Low Income Schools	84.358B	228,012
Emergency Impact Aid	84.215L	9,720
Mathematics and Science Partnerships	84.366	292,384
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	41,355
Title VI, Federal, State, and Local Partnership for Innovative Programs	84.298	15,693

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2007**

<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	\$ 1,775,824
Special Education - Capacity Building / Improvement	84.027A	11,719
Special Education - Preschool Grants	84.173	<u>61,526</u>
Total Special Education Cluster		<u>1,849,069</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>130,288</u>
Total U.S. Department of Education		<u>8,120,485</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	4,267
<u>U.S. Corporation for National and Community Service</u>		
Passed-through the N.C. Department of Public Instruction:		
Learn and Serve America	94.004	17,289
<u>U.S. Department of Defense</u>		
Direct Programs:		
ROTC	NONE	<u>55,292</u>
Total Federal Cash Assistance		<u>11,080,495</u>
<b>Noncash Assistance:</b>		
<u>U.S. Department of Agriculture</u>		
Passed-through the N.C. Department of Agriculture:		
Food Distribution Program	10.550	<u>196,065</u>
<b>Total Federal Assistance</b>		<u><b>11,276,560</b></u>

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2007**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
<b>State Grants:</b>		
<b>Cash Assistance:</b>		
<b><u>N.C. Department of Public Instruction:</u></b>		
State Public School Fund		\$ 39,919,495
Vocational Education		1,738,568
State Months of Employment		92,126
Program Support Funds		173,581
Driver Training		177,133
School Technology Fund		251,890
State appropriations - buses		21,050
State Improvement Grant		381,310
Textbooks		
<b>Passed through Scotland County:</b>		
State lottery proceeds		<u>395,008</u>
		<b>43,150,161</b>
<b><u>N.C. Department of Agriculture:</u></b>		
State Kindergarten Breakfast Funds		<u>6,907</u>
<b><u>N.C. Department of Health and Human Services:</u></b>		
TANF After-School Programs and Services for At Risk Youth		79,957
State School Nurse Initiative		100,000
<b>Division of Child Development:</b>		
More at Four Grant		<u>817,447</u>
		<b>997,404</b>
<b>Total N.C. Department of Health and Human Services</b>		
		<b>44,154,472</b>
<b>Total State Assistance</b>		
		<b><u>\$ 55,431,032</u></b>

**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.