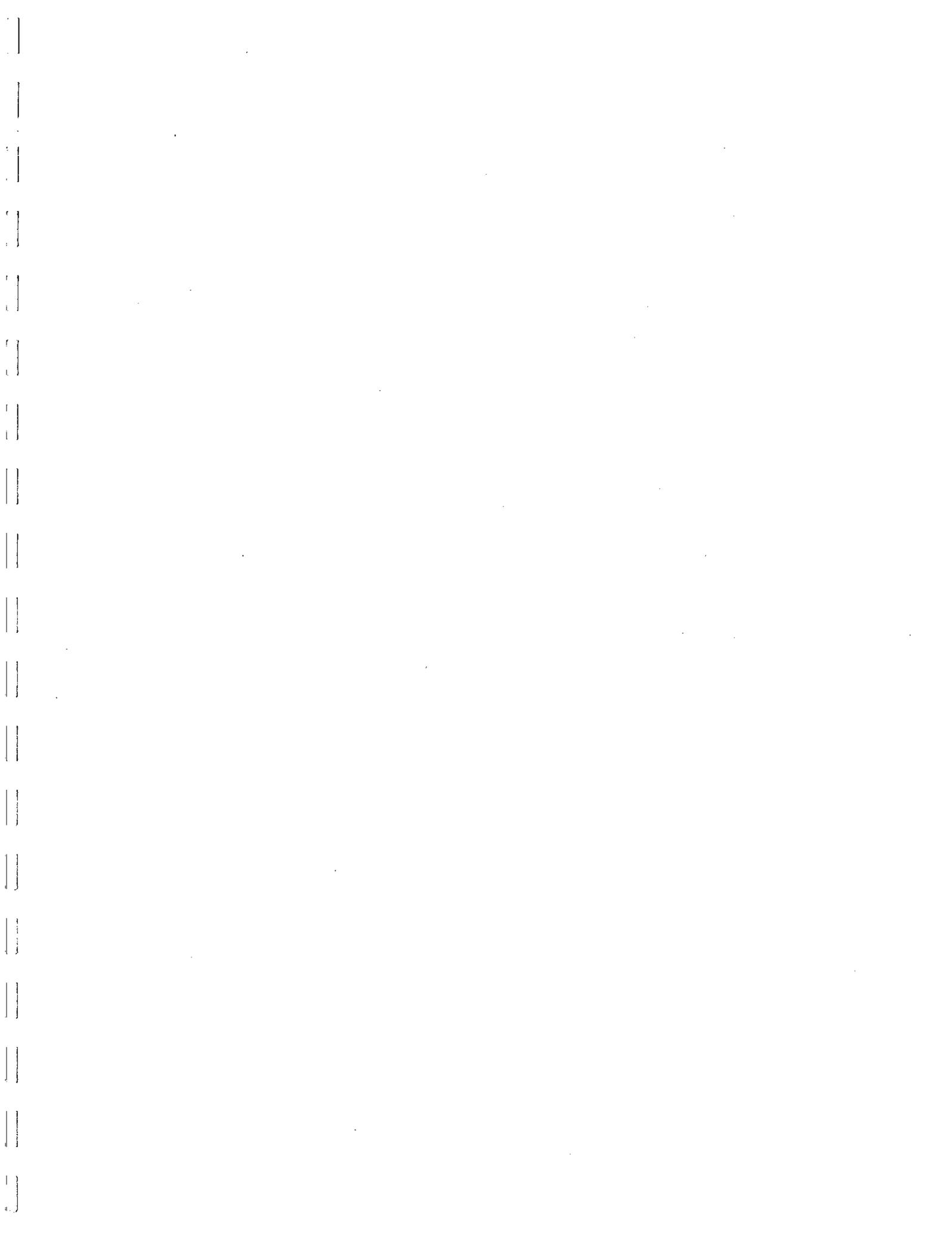


Scotland County Board of Education

Financial Statements

For the Fiscal Year Ended June 30, 2009



**SCOTLAND COUNTY BOARD OF EDUCATION
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NSR

Norris, Stewart & Ralston, P.A.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Scotland County Board of Education
Laurinburg, 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, 2009, 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, 2009, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Federal Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 November 23, 2009 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.

Norie Stewart & Rabata, P.A.

November 23, 2009
Statesville, North Carolina

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Scotland County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2009. 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 2008-2009 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 2008-2009 fiscal year, the Scotland County Board of Education requested only a 2.1% increase in the County appropriation.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary 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 and proprietary funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

Government-wide Statements

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

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and childcare services are 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.

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.

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

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

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 \$37.8 million as of June 30, 2009 as compared to \$38.6 million as of June 30, 2008, a decrease of \$.8 million. The largest component of net assets is invested in capital assets.

Following is a summary of the Statement of Net Assets:

**Table 1
Condensed Statement of Net Assets
As of June 30, 2009 and 2008**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/09</u>	<u>6/30/08</u>
Current assets	\$ 4,168,332	\$ 4,750,907	\$ 856,913	\$ 886,876	\$ 5,025,245	\$ 5,637,783
Capital assets	<u>39,096,696</u>	<u>38,520,294</u>	<u>305,023</u>	<u>318,474</u>	<u>39,401,719</u>	<u>38,838,768</u>
Total assets	<u>43,265,028</u>	<u>43,271,201</u>	<u>1,161,936</u>	<u>1,205,350</u>	<u>44,426,964</u>	<u>44,476,551</u>
Current liabilities	5,867,726	4,416,690	201,518	145,763	6,069,244	4,562,453
Long-term liabilities	<u>524,794</u>	<u>1,282,520</u>	<u>7,871</u>	<u>37,053</u>	<u>532,665</u>	<u>1,319,573</u>
Total liabilities	<u>6,392,520</u>	<u>5,699,210</u>	<u>209,389</u>	<u>182,816</u>	<u>6,601,909</u>	<u>5,882,026</u>
Invested in capital assets, net of related debt	38,443,906	38,385,595	305,023	318,474	38,748,929	38,704,069
Restricted net assets	273,640	271,093	-	-	273,640	271,093
Unrestricted net assets (deficit)	<u>(1,845,038)</u>	<u>(1,084,697)</u>	<u>647,524</u>	<u>704,060</u>	<u>(1,197,514)</u>	<u>(380,637)</u>
Total net assets	<u>\$ 36,872,508</u>	<u>\$ 37,571,991</u>	<u>\$ 952,547</u>	<u>\$ 1,022,534</u>	<u>\$ 37,825,055</u>	<u>\$ 38,594,525</u>

The net assets of the Board's governmental activities decreased \$700,000 during the year, from \$37.6 million at June 30, 2008 to \$36.9 million at June 30, 2009, indicating a deterioration in the financial condition of the Board. This decrease is primarily due to losses sustained in the Board's General Fund. The net assets of the Board's business-type activity decreased \$70,000 from \$1.02 million at June 30, 2008 to \$952,500 at June 30, 2009.

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

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

Table 2

**Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/09	6/30/08	6/30/09	6/30/08	6/30/09	6/30/08
Revenues:						
Program revenues:						
Charges for services	\$ 1,178,816	\$ 1,349,481	\$ 818,719	\$ 834,891	\$ 1,997,535	\$ 2,184,372
Operating grants and contributions	53,878,117	52,360,993	2,850,645	2,781,273	56,728,762	55,142,266
Capital grants and contributions	416,800	587,284	-	-	416,800	587,284
General revenues:						
Other revenues	<u>13,432,276</u>	<u>16,864,422</u>	<u>8,630</u>	<u>18,034</u>	<u>13,440,906</u>	<u>16,882,456</u>
Total revenues	<u>68,906,009</u>	<u>71,162,180</u>	<u>3,677,994</u>	<u>3,634,198</u>	<u>72,584,003</u>	<u>74,796,378</u>
Expenses:						
Governmental activities:						
Instructional services	56,454,966	56,080,419	-	-	56,454,966	56,080,419
System-wide support services	12,905,855	13,727,140	-	-	12,905,855	13,727,140
Ancillary services	90,944	349,169	-	-	90,944	349,169
Nonprogrammed charges	-	16,164	-	-	-	16,164
Depreciation	153,727	1,159,897	-	-	153,727	1,159,897
Business-type activities:						
School food service	-	-	<u>3,747,981</u>	<u>3,666,494</u>	<u>3,747,981</u>	<u>3,666,494</u>
Total expenses	<u>69,605,492</u>	<u>71,332,789</u>	<u>3,747,981</u>	<u>3,666,494</u>	<u>73,353,473</u>	<u>74,999,283</u>
Increase (decrease) in net assets	(699,483)	(170,609)	(69,987)	(32,296)	(769,470)	(202,905)
Beginning net assets	<u>37,571,991</u>	<u>37,742,600</u>	<u>1,022,534</u>	<u>1,054,830</u>	<u>38,594,525</u>	<u>38,797,430</u>
Ending net assets	<u>\$ 36,872,508</u>	<u>\$ 37,571,991</u>	<u>\$ 952,547</u>	<u>\$ 1,022,534</u>	<u>\$ 37,825,055</u>	<u>\$ 38,594,525</u>

Total governmental activities generated revenues of \$68.9 million while expenses in this category totaled \$69.6 million for the year ended June 30, 2009, resulting in the aforementioned decrease in net assets of \$700,000. Comparatively, revenues were \$71.2 million and expenses totaled \$71.3 million for the year ended June 30, 2008, resulting in a decrease in net assets of \$171,000. This represents a year-over-year deterioration of \$529,000. In comparing the two years, revenues decreased by \$2.3 million while expenses decreased by \$1.7 million. The decrease in revenues was primarily in other revenues which decreased by \$3.4 million. The Board's primary sources of revenues were funding from the State of North Carolina, Scotland County, and the United States Government, which respectively comprised 68%, 17% and 11% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 81% of our total expenditures during the most recent fiscal year. Of the remaining 19% of our total expenditures, 18% was attributable to system-wide support services.

Total business-type activities generated revenues of \$3.7 million while expenses in this category totaled \$3.7 million for the year ended June 30, 2009. Net assets for the year decreased \$70,000. Comparatively, revenues were \$3.6 million and expenses totaled \$3.7 million for the year ended June 30, 2008, resulting in a decrease in net assets of \$32,000. The deterioration in operating results when comparing the two periods is primarily attributable to an increase of \$81,500 in expenditures.

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

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 \$1.5 million at June 30, 2009, a decrease of \$620,000 from the \$2.1 million reported at June 30, 2008. The Board's Individual Schools and Capital Outlay funds each had revenues in excess of expenditures of \$2,500 and \$14,000, respectively, for the year ended June 30, 2009, while the General Fund showed a decrease in fund balance of \$636,000 for the year. Overall, total revenues decreased by \$2.25 million, or 3.15%, from the prior year. Revenue from all funding sources decreased with the exception of funding from Scotland County which increased \$500,000. Expenditures decreased by \$282,000 or 0.4%, from the prior year. The unreserved, undesignated fund balance in the General Fund at June 30, 2009 decreased to \$52,513.

Proprietary Funds: The Board's business-type funds showed deterioration over the prior year with net assets at June 30, 2009 of \$953,000 compared to \$1,023,000 at June 30, 2008. The School Food Service Fund reported a decrease in net assets of \$70,000 for the year.

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year, when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments.

Capital Assets

Total primary government capital assets were \$39.4 million at June 30, 2009 compared to \$38.8 million at June 30, 2008. The increase of \$563,000 is attributable to the purchases exceeding depreciation. The Board currently has no significant construction or other capital projects in progress. The following is a summary of the Board's capital assets, net of depreciation at June 30, 2009 and 2008. More detailed information about the Board's capital assets is contained in Note 2.A.4 of the financial statements.

**Table 3
Summary of Capital Assets
As of June 30, 2009 and 2008**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/09</u>	<u>6/30/08</u>
Land	\$ 467,029	\$ 467,029	\$ -	\$ -	\$ 467,029	\$ 467,029
Buildings and improvements	36,023,023	36,543,257	-	-	36,023,023	36,543,257
Equipment and furniture	917,516	670,784	305,023	318,474	1,222,539	989,258
Vehicles	<u>1,689,128</u>	<u>839,224</u>	<u>-</u>	<u>-</u>	<u>1,689,128</u>	<u>839,224</u>
Total	<u>\$ 39,096,696</u>	<u>\$ 38,520,294</u>	<u>\$ 305,023</u>	<u>\$ 318,474</u>	<u>\$ 39,401,719</u>	<u>\$ 38,838,768</u>

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

Debt Outstanding

During the year, the Board's outstanding debt increased by \$518,091. The Board borrowed \$1,094,888 during the year under installment purchase contracts to finance the purchase of replacement school buses. Repayments of installment purchase obligations totaled \$576,797 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

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.
- The United States economy is in a recession which has started to affect the State funding of education. This will impact FY2008-09 and probably FY2009-2010.

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:

Tony Messer, 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, 2009

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,014,631	\$ 604,567	\$ 2,619,198
Due from other governments	2,079,494	115,781	2,195,275
Receivables	75,694	-	75,694
Internal balances	(57,813)	57,813	-
Inventories	56,326	78,752	135,078
Capital assets:			
Land	467,029	-	467,029
Other capital assets, net of depreciation	38,629,667	305,023	38,934,690
Total capital assets	<u>39,096,696</u>	<u>305,023</u>	<u>39,401,719</u>
Total assets	<u>43,265,028</u>	<u>1,161,936</u>	<u>44,426,964</u>
Liabilities			
Accounts payable and accrued expenses	341,492	33,488	374,980
Accrued salaries and wages payable	2,184,763	65,481	2,250,244
Unearned revenue	174,937	8,820	183,757
Long-term liabilities:			
Due within one year	3,166,534	93,729	3,260,263
Due in more than one year	<u>524,794</u>	<u>7,871</u>	<u>532,665</u>
Total liabilities	<u>6,392,520</u>	<u>209,389</u>	<u>6,601,909</u>
Net assets			
Invested in capital assets, net of related debt	38,443,906	305,023	38,748,929
Restricted for:			
Individual schools activities	273,640	-	273,640
Unrestricted (deficit)	<u>(1,845,038)</u>	<u>647,524</u>	<u>(1,197,514)</u>
Total net assets	<u>\$ 36,872,508</u>	<u>\$ 952,547</u>	<u>\$ 37,825,055</u>

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

**SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Instructional services:								
Regular instructional	\$ 32,456,230	\$ -	\$ 29,771,095	\$ -	\$ (2,685,135)	\$ -	\$ (2,685,135)	
Special populations	7,015,094	-	6,729,407	-	(285,687)	-	(285,687)	
Alternative programs	6,953,212	-	5,219,168	-	(1,734,044)	-	(1,734,044)	
School leadership	4,162,722	-	2,922,910	-	(1,239,812)	-	(1,239,812)	
Co-curricular	1,501,880	1,178,816	-	-	(323,064)	-	(323,064)	
School-based support	4,365,828	-	3,280,754	-	(1,085,074)	-	(1,085,074)	
System-wide support services:								
Support and development	398,593	-	169,620	-	(228,973)	-	(228,973)	
Special population support and development	759,623	-	745,186	-	(14,437)	-	(14,437)	
Alternative programs and services								
support and development	268,166	-	240,059	-	(28,109)	-	(28,109)	
Technology support	377,877	-	257,866	-	(120,011)	-	(120,011)	
Operational support	8,707,122	-	2,962,200	416,800	(5,328,122)	-	(5,328,122)	
Financial and human resource services	868,595	-	657,728	-	(210,867)	-	(210,867)	
Accountability	286,350	-	232,313	-	(54,037)	-	(54,037)	
System-wide pupil support	135,977	-	55,746	-	(80,231)	-	(80,231)	
Policy, leadership and public relations	1,103,550	-	543,838	-	(559,712)	-	(559,712)	
Ancillary services	90,944	-	4,064	-	(86,880)	-	(86,880)	
Non-programmed charges	-	-	86,163	-	86,163	-	86,163	
Unallocated depreciation expense**	153,727	-	-	-	(153,727)	-	(153,727)	
Total governmental activities	69,605,492	1,178,816	53,878,117	416,800	(14,131,759)	-	(14,131,759)	
Business-type activities:								
School food service	3,747,981	818,719	2,850,645	-	-	(78,617)	(78,617)	
Total business-type activities	3,747,981	818,719	2,850,645	-	-	(78,617)	(78,617)	
Total primary government	\$ 73,353,473	\$ 1,997,535	\$ 56,728,762	\$ 416,800	(14,131,759)	(78,617)	(14,210,376)	
General revenues:								
Unrestricted county appropriations - operating					10,941,400	-	10,941,400	
Unrestricted county appropriations - capital					1,217,559	-	1,217,559	
Unrestricted Federal appropriations - operating					227,353	-	227,353	
Unrestricted State appropriation - capital					576,797	-	576,797	
Investment earnings, unrestricted					20,271	8,630	28,901	
Miscellaneous, unrestricted					448,896	-	448,896	
Total general revenues					13,432,276	8,630	13,440,906	
Change in net assets					(699,483)	(69,987)	(769,470)	
Net assets - beginning					37,571,991	1,022,534	38,594,525	
Net assets - ending					\$ 36,872,508	\$ 952,547	\$ 37,825,055	

**This amount excludes the depreciation that is included in the direct expenses of the various programs. The notes to the basic financial statements are an integral part of this statement.

**SCOTLAND COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009**

Exhibit 3

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
Assets						
Cash and cash equivalents	\$ 1,212,646	\$ -	\$ -	\$ 528,345	\$ 273,640	\$ 2,014,631
Due from other governments	-	1,884,849	-	194,645	-	2,079,494
Accounts receivable	75,694	-	-	-	-	75,694
Inventories	56,326	-	-	-	-	56,326
Total assets	\$ 1,344,666	\$ 1,884,849	\$ -	\$ 722,990	\$ 273,640	\$ 4,226,145
Liabilities and fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 188,163	\$ -	\$ -	\$ 153,329	\$ -	\$ 341,492
Accrued salaries and wages payable	299,914	1,884,849	-	-	-	2,184,763
Due to other funds	57,813	-	-	-	-	57,813
Unearned revenue	174,937	-	-	-	-	174,937
Total liabilities	720,827	1,884,849	-	153,329	-	2,759,005
Fund balances:						
Reserved for:						
Inventories	56,326	-	-	-	-	56,326
State statute	75,694	-	-	194,645	-	270,339
Unreserved:						
Designated for subsequent year's expenditures	439,306	-	-	-	-	439,306
Undesignated, reported in:						
General Fund	52,513	-	-	-	-	52,513
Special Revenue Funds	-	-	-	-	273,640	273,640
Capital Projects Fund	-	-	-	375,016	-	375,016
Total fund balances	623,839	-	-	569,661	273,640	1,467,140
Total liabilities and fund balances	\$ 1,344,666	\$ 1,884,849	\$ -	\$ 722,990	\$ 273,640	

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.	39,096,696
Some liabilities, including those for compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,691,328)</u>
Net assets of governmental activities	\$ 36,872,508

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

**SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009**

	Major Funds				Non-major Fund	Total
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Governmental Funds
Revenues:						
State of North Carolina	\$ 1,655,829	\$ 44,437,174	\$ -	\$ 993,597	\$ -	\$ 47,086,600
County appropriations	10,530,637	-	-	1,100,014	-	11,630,651
U.S. Government	873,861	-	6,931,129	-	-	7,804,990
Other	1,378,537	-	-	178,232	1,178,816	2,735,585
Total revenues	14,438,864	44,437,174	6,931,129	2,271,843	1,178,816	69,257,826
Expenditures:						
Current:						
Instructional services:						
Regular instructional	4,076,482	25,940,851	1,320,430	66,417	-	31,404,180
Special populations	271,187	5,733,660	995,747	-	-	7,000,594
Alternative programs	1,719,672	2,332,805	2,886,363	-	-	6,938,840
School leadership	1,236,248	2,917,870	-	-	-	4,154,118
Co-curricular	317,467	-	5,040	-	1,176,269	1,498,776
School-based support	1,068,589	2,915,176	365,578	7,461	-	4,356,804
System-wide support services:						
Support and development	228,149	151,453	18,167	-	-	397,769
Special population support and development	12,867	95,056	650,130	-	-	758,053
Alternative programs and services support and development	27,555	-	240,059	-	-	267,614
Technology support	119,230	256,839	1,027	-	-	377,096
Operational support	4,802,844	2,784,022	178,178	143,315	-	7,908,359
Financial and human resource services	417,057	565,031	92,697	-	-	1,074,785
Accountability	53,445	140,813	91,500	-	-	285,758
System-wide pupil support	79,950	55,746	-	-	-	135,696
Policy, leadership and public relations	557,429	543,838	-	-	-	1,101,267
Ancillary services	86,880	4,014	50	-	-	90,944
Non-programmed charges	-	-	86,163	-	-	86,163
Debt service:						
Principal retirement	-	-	-	576,797	-	576,797
Capital outlay	-	-	-	2,559,003	-	2,559,003
Total expenditures	15,075,051	44,437,174	6,931,129	3,352,993	1,176,269	70,972,616
Revenues over (under) expenditures	(636,187)	-	-	(1,081,150)	2,547	(1,714,790)
Other financing uses:						
Transfers to other funds	-	-	-	-	-	-
Installment purchase obligations issued	-	-	-	1,094,888	-	1,094,888
Total other financing sources (uses)	-	-	-	1,094,888	-	1,094,888
Net change in fund balance	(636,187)	-	-	13,738	2,547	(619,902)
Fund balances:						
Beginning of year	1,257,777	-	-	555,923	271,093	2,084,793
Increase in reserve for inventories	2,249	-	-	-	-	2,249
End of year	\$ 623,839	\$ -	\$ -	\$ 569,661	\$ 273,640	\$ 1,467,140

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

SCOTLAND COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ (619,902)

Change in fund balance due to change in reserve for inventory 2,249

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 capital outlays exceeded depreciation in the current period. 576,402

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. (518,091)

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 (140,141)

Total changes in net assets of governmental activities \$ (699,483)

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund			State Public School Fund			Federal Grants Fund					
	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)	Original Budget	Final Budget	Actual	Variance with final budget positive (negative)
Revenues:												
State of North Carolina	\$ 1,659,940	\$ 1,809,968	\$ 1,655,829	\$ (154,059)	\$ 43,992,394	\$ 46,262,044	\$ 44,437,174	\$ (1,824,870)	\$ -	\$ -	\$ -	\$ -
County Appropriations	852,044	10,530,637	10,530,637	(83,319)	-	-	-	-	-	-	-	-
U.S. Government	10,530,637	957,180	873,861	372,367	-	-	-	-	7,232,217	8,779,840	6,931,129	(1,848,711)
Other	561,385	1,006,170	1,378,537	-	-	-	-	-	-	-	-	-
Total revenues	13,604,006	14,305,875	14,438,964	134,989	43,992,394	46,262,044	44,437,174	(1,824,870)	7,232,217	8,779,840	6,931,129	(1,848,711)
Expenditures:												
Current:												
Instructional services	3,806,878	4,085,859	4,076,482	9,377	26,722,094	26,695,346	26,940,851	754,495	1,951,593	1,652,552	1,320,430	332,102
Regular instructional	220,405	270,639	271,187	(548)	5,103,395	5,776,644	5,730,655	790,331	790,331	1,274,703	995,747	283,956
Special populations	1,655,637	1,722,681	1,719,672	2,989	1,745,402	2,332,865	2,332,865	220,789	2,332,865	3,173,359	2,986,363	285,176
Alternative programs	981,338	1,238,113	1,236,248	1,865	3,357,574	3,141,242	2,917,870	223,372	21,000	3,392	5,040	352
School leadership	355,800	322,800	317,467	5,333	2,885,508	3,223,506	2,915,176	308,330	269,369	468,732	565,576	83,154
Co-curricular	932,582	1,074,940	1,068,589	6,251	120,108	156,065	151,453	4,612	25,091	25,841	18,167	7,674
School-based support	257,796	228,864	228,149	1,715	111,000	111,000	95,056	15,944	649,981	562,353	650,130	2,223
Support and development	3,000	13,025	12,887	158	289,726	306,613	-	48,774	93,708	237,204	240,059	(2,855)
Alternative programs and services	59,867	38,967	27,555	11,312	2,206,502	2,844,989	2,784,022	60,967	485,063	268,195	178,178	(1,027)
Technology support	119,720	119,720	119,720	-	142,234	142,234	142,234	-	83,173	83,173	92,697	80,017
Operational support	4,698,332	4,808,394	4,817,057	1,670	74,062	74,062	55,748	18,316	80,300	81,500	91,500	476
Financial and human resources	476,438	417,057	417,057	438	605,366	605,366	543,638	61,528	-	-	-	-
Accountability	106,784	53,883	53,445	438	10,000	10,000	4,014	5,986	4,201	7,337	60	7,297
System-wide pupil support services	80,232	80,232	79,850	282	-	-	-	-	326,566	848,339	86,163	760,176
Policy, leadership and public relations	496,151	556,310	557,429	(1,119)	-	-	-	-	-	-	-	-
Auxiliary services	21,409	86,880	86,880	(65,471)	-	-	-	-	-	-	-	-
Nonprogrammed charges	309,512	124,252	124,252	124,252	-	-	-	-	-	-	-	-
Total expenditures	14,470,036	15,178,846	15,075,051	103,595	43,992,394	46,262,044	44,437,174	1,824,870	7,232,217	8,779,840	6,931,129	1,848,711
Revenues over (under) expenditures	(866,030)	(874,771)	(636,187)	238,584	-	-	-	-	-	-	-	-
Other financing sources (uses):												
Transfers to other funds	-	155,541	-	(165,541)	-	-	-	-	-	-	-	-
Fund balance appropriated	866,030	718,230	-	(719,230)	-	-	-	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ (636,187)	\$ (636,187)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:												
Beginning of year		1,257,777										
Increase in reserve for inventories		2,249										
End of year		\$ 623,839										

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
June 30, 2009

Exhibit 7

	Enterprise Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 604,567
Due from other governments	115,781
Due from other funds	57,813
Inventories	78,752
Total current assets	<u>856,913</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>305,023</u>
Total assets	<u>1,161,936</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	33,488
Accrued salaries and wages payable	65,481
Compensated absences	93,729
Unearned revenue	8,820
Total current liabilities	<u>201,518</u>
Noncurrent liabilities:	
Compensated absences	<u>7,871</u>
Total liabilities	<u>209,389</u>
Net assets	
Invested in capital assets	305,023
Unrestricted	<u>647,524</u>
Total net assets	<u>\$ 952,547</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2009

Exhibit 8

	Major Fund School Food Service
Operating revenues:	
Food sales	\$ 818,719
Operating expenses:	
Food cost:	
Purchase of food	1,196,617
Donated commodities	201,503
Salaries and benefits	1,884,227
Indirect costs	206,167
Materials and supplies	149,488
Repairs and maintenance	25,103
Telephone and utilities	2,622
Depreciation	28,372
Contracted services	35,445
Other	18,437
Total operating expenses	<u>3,747,981</u>
Operating income (loss)	<u>(2,929,262)</u>
Nonoperating revenues:	
Federal reimbursements	2,643,152
Federal commodities	201,503
State reimbursements	5,990
Interest earned	8,630
Total nonoperating revenues	<u>2,859,275</u>
Change in net assets	(69,987)
Net assets, beginning of year	<u>1,022,534</u>
Net assets, end of year	<u>\$ 952,547</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2009

	Fiduciary Fund
Additions:	
Interest income	\$ 10,043
Deductions:	
Instructional costs	<u>\$ 6,300</u>
Change in net assets	3,743
Beginning net assets	<u>220,751</u>
Ending Net Assets	<u>\$ 224,494</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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. All expenses are considered to be operating expenses.

The Board reports the following major governmental funds:

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

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

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

4. Capital Assets

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

For capital assets utilized in governmental activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 with an estimated useful life of two or more years, while for capital assets utilized in business-type activities, it is the policy of the Board to capitalize those assets costing more than \$5,000 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 buildings and equipment that serve multiple purposes cannot be allocated ratably and is therefore reported as "unallocated depreciation" on the Statement of Activities.

5. Long-term Obligations

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

6. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2009 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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

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 2009-2010 budget ordinance.

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

8. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$35,580,305 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)	\$ 63,808,096
Less accumulated depreciation	<u>(24,711,400)</u>
Net capital assets	39,096,696
Deferred revenue	174,937
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	(652,790)
Compensated absences	<u>(3,038,538)</u>
Total adjustment	<u>\$ 35,580,305</u>

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances 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 \$(79,581) 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	\$ 2,212,940
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	(1,636,538)
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	(1,094,888)
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	576,797
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	(140,141)
Adjustment due to the use of the consumption method of recording inventory in the government-wide statements	<u>2,249</u>
Total adjustment	<u>\$ (79,581)</u>

NOTE 2 - DETAIL NOTES ON ALL FUNDS

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2009, the Board reported expenditures within the General Fund that violate State law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$65,471 within ancillary services.

In addition, during the fiscal year ended June 30, 2009, the Board reported expenditures within the Capital Outlay Fund for the capital outlay expenditures violated state law [G.S. 115C-441] because they exceeded the amounts appropriated in the budget ordinance by \$996,074. Management will monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations. This violation was immaterial to the financial statements.

**SCOTLAND COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2009**

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, 2009, the Board had deposits with banks and savings and loans with a carrying amount of \$2,024,330 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$2,615,593 and \$382,635, respectively. Of these balances, \$484,417 was covered by federal depository insurance and \$2,513,811 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2009, the Board had \$819,362 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.8 years as of June 30, 2009. 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, 2009, were as follows:

	Due from other funds (Internal balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ (57,813)	\$ -	\$ 75,694	\$ 17,881
Other governmental activities	<u>-</u>	<u>2,079,494</u>	<u>-</u>	<u>2,079,494</u>
Total governmental activities	<u>\$ (57,813)</u>	<u>\$ 2,079,494</u>	<u>\$ 75,694</u>	<u>\$ 2,097,375</u>
Business-type activities:				
School Food Service Fund	<u>\$ 57,813</u>	<u>\$ 115,781</u>	<u>\$ -</u>	<u>\$ 173,594</u>

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

Due from other governments consists of the following:

Governmental activities:			
State Public School Fund	\$ 1,884,849	Operating funds from DPI	
Capital Outlay Fund	<u>194,645</u>	Amounts due from State and	
		County for sales taxes	
Total	<u>\$ 2,079,494</u>		
Business-type activities:			
School Food Service Fund	<u>\$ 115,781</u>	Federal funds	

4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balances</u>	<u>Increases/ Other</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 467,029	\$ -	\$ -	\$ 467,029
Capital assets being depreciated:				
Buildings and improvements	53,504,205	592,674	-	54,096,879
Equipment and furniture	1,710,556	400,459	-	2,111,015
Vehicles	<u>5,948,978</u>	<u>1,219,807</u>	<u>35,612</u>	<u>7,133,173</u>
Total capital assets being depreciated	<u>61,163,739</u>	<u>2,212,940</u>	<u>35,612</u>	<u>63,341,067</u>
Less accumulated depreciation for:				
Buildings and improvements	16,960,948	1,112,908	-	18,073,856
Equipment and furniture	1,039,772	153,727	-	1,193,499
Vehicles	<u>5,109,754</u>	<u>369,903</u>	<u>35,612</u>	<u>5,444,045</u>
Total accumulated depreciation	<u>23,110,474</u>	<u>1,636,538</u>	<u>35,612</u>	<u>24,711,400</u>
Total capital assets being depreciated, net	<u>38,053,265</u>			<u>38,629,667</u>
Governmental activity capital assets, net	<u>\$ 38,520,294</u>			<u>\$ 39,096,696</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated				
Equipment, furniture and vehicles	\$ 1,063,092	\$ 29,960	\$ 5,933	\$ 1,087,119
Less accumulated depreciation for:				
Equipment, furniture and vehicles	<u>744,618</u>	<u>43,411</u>	<u>5,933</u>	<u>782,096</u>
School Food Service capital assets, net	<u>\$ 318,474</u>			<u>\$ 305,023</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,112,908
Operational System-wide support services	369,903
Unallocated depreciation	<u>153,727</u>
Total	<u>\$ 1,636,538</u>

**SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009**

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 8.14 % 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, 2009, 2008, and 2007 were \$3,693,618, \$3,492,324, and \$2,938,387, respectively, equal to the required contributions for each year.

b. Other Post-employment Benefits

Postemployment Healthcare Benefits

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

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

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

**SCOTLAND COUNTY BOARD OF EDUCATION
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For the Fiscal Year Ended June 30, 2009**

October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2009, 2008, and 2007, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,860,422, \$1,828,675, and \$1,566,041 respectively. These contributions represented 4.10%, 4.10%, and 3.80% of covered payroll, respectively.

2. Other Employment 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

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.

Disability Benefits

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

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

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

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.

For members with five or more years of membership service as of July 31, 2007, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS. For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which the member might be entitled should the member become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2009, 2008, and 2007, the Board paid all annual required

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

contributions to the DIPNC for disability benefits of \$235,956, \$231,930, and \$214,300, respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

3. Accounts Payable

Payables at the government-wide level at June 30, 2009 were as follows:

	<u>Vendors</u>	<u>Salaries and benefits</u>	<u>Total</u>
Governmental activities:			
General	\$ 188,163	\$ 299,914	\$ 488,077
Other governmental	<u>153,329</u>	<u>1,884,849</u>	<u>2,038,178</u>
Total governmental activities	<u>\$ 341,492</u>	<u>\$ 2,184,763</u>	<u>\$ 2,526,255</u>
Business-type activities:			
School Food Service	<u>\$ 33,488</u>	<u>\$ 65,481</u>	<u>\$ 98,969</u>

4. Unearned Revenues

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

Various grants (General Fund)	\$ 174,937
Prepayments of meals (School Food Service Fund)	<u>8,820</u>
	<u>\$ 183,757</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 for employees to the extent they are paid from Federal and local funds. 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 both general liability and errors and omissions of \$2,000,000 each. 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.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2009

In Accordance with G.S. 115C-442, the Board's employees who have custody of the Board's moneys 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, 2009, the Board was a defendant to various lawsuits. The Board has recorded a contingent liability in the amount of \$50,000 relating to these lawsuits as an estimate of the expected loss to be incurred.

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 2007, 2008 and 2009, the Board entered into four financing contracts for the purchase of school buses. The financing contracts each require three equal principal-only payments ranging from \$23,613 to \$287,827, due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2009 are as follows:

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2010	\$364,963
2011	\$287,827

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, 2009:

	<u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 134,699	\$1,094,888	\$ 576,797	\$ 652,790	\$ 364,963
Compensated absences	<u>2,898,397</u>	<u>2,812,500</u>	<u>2,672,359</u>	<u>3,038,538</u>	<u>2,801,571</u>
Total	<u>\$3,033,096</u>	<u>\$3,907,388</u>	<u>\$3,249,156</u>	<u>\$ 3,691,328</u>	<u>\$ 3,166,534</u>
Business-type activities:					
Compensated absences	<u>\$ 89,887</u>	<u>\$ 94,636</u>	<u>\$ 82,923</u>	<u>\$ 101,600</u>	<u>\$ 93,729</u>

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

**SCOTLAND COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2009**

C. Interfund Balances and Activity

1. Interfund Balances

The composition of interfund balances as of June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Food Service Fund	General Fund	<u>\$ 57,813</u>

The amount due to the School Food Service Fund from the General Fund represents amounts payable for various item incurred during the normal operating cycles of the funds.

This amount is expected to be paid prior to June 30, 2010.

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

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, 2009

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
More at Four Grant	\$ 1,480,440	\$ 1,459,020	\$ (21,420)
State School Nurse Initiative	100,000	100,000	-
Other	229,448	96,809	(132,639)
Total State of North Carolina	<u>1,809,888</u>	<u>1,655,829</u>	<u>(154,059)</u>
Scotland County			
County appropriation	<u>10,530,637</u>	<u>10,530,637</u>	<u>-</u>
U.S. Government:			
Workforce Investment Act	232,150	227,353	(4,797)
Indian Education Act	177,341	177,213	(128)
Safe Schools / Health Students	255,938	255,939	1
ROTC	45,000	60,163	15,163
Impact Aid	5,000	12,227	7,227
Other	241,751	140,966	(100,785)
Total U.S. Government	<u>957,180</u>	<u>873,861</u>	<u>(83,319)</u>
Other:			
Fines and forfeitures	175,000	269,416	94,416
Medicaid Reimbursements	172,526	410,763	238,237
Interest earned on investment	30,000	20,271	(9,729)
Indirect costs allocated	288,385	351,817	63,432
Contributions and donations	211,701	151,712	(59,989)
Rental of school property	60,170	55,765	(4,405)
Tuition and fees	3,000	8,194	5,194
Other	65,388	110,599	45,211
Total other	<u>1,006,170</u>	<u>1,378,537</u>	<u>372,367</u>
Total revenues	<u>14,303,875</u>	<u>14,438,864</u>	<u>134,989</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	4,085,859	4,076,482	9,377
Special populations	270,639	271,187	(548)
Alternative programs	1,722,661	1,719,672	2,989
School leadership	1,238,113	1,236,248	1,865
Co-curricular	322,800	317,467	5,333
School-based support	1,074,840	1,068,589	6,251
Total instructional services	<u>8,714,912</u>	<u>8,689,645</u>	<u>25,267</u>
System-wide support services:			
Support and development	229,864	228,149	1,715
Special population support and development	13,025	12,867	158
Alternative programs and services support and development	38,667	27,555	11,112
Technology support	120,381	119,230	1,151
Operational support	4,806,984	4,802,844	4,140
Financial and human resource services	418,727	417,057	1,670
Accountability	53,883	53,445	438
System-wide pupil support	80,232	79,950	282
Policy, leadership and public relations	556,310	557,429	(1,119)
Total system-wide support services	<u>6,318,073</u>	<u>6,298,526</u>	<u>19,547</u>

SCOTLAND COUNTY BOARD OF EDUCATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (Continued)
 GENERAL FUND
 For the Fiscal Year Ended June 30, 2009

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
Ancillary services:			
Community services	20,250	19,381	869
Nutrition services	1,159	67,499	(66,340)
Total ancillary services	<u>21,409</u>	<u>86,880</u>	<u>(65,471)</u>
Nonprogrammed charges:	<u>124,252</u>	-	124,252
Total expenditures	<u>15,178,646</u>	<u>15,075,051</u>	<u>103,595</u>
Revenues over (under) expenditures	(874,771)	(636,187)	238,584
Other financing sources (uses):			
Transfers from other funds	155,541	-	(155,541)
Fund balance appropriated	<u>719,230</u>	-	<u>(719,230)</u>
Net change in fund balance	<u>\$ -</u>	(636,187)	<u>\$ (636,187)</u>
Fund balance:			
Beginning of year		1,257,777	
Increase in reserve for inventories		<u>2,249</u>	
End of year		<u>\$ 623,839</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, 2009

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
Public School Capital Fund - Lottery	\$ 825,000	\$ 416,800	\$ (408,200)
State appropriations - school buses	576,797	576,797	-
Total State of North Carolina	<u>1,401,797</u>	<u>993,597</u>	<u>(408,200)</u>
Scotland County:			
County appropriations	<u>788,000</u>	<u>1,100,014</u>	<u>312,014</u>
Other:			
Fines and forfeitures	200,000	117,545	(82,455)
Miscellaneous	3,000	60,687	57,687
Total other	<u>203,000</u>	<u>178,232</u>	<u>(24,768)</u>
Total revenues	<u>2,392,797</u>	<u>2,271,843</u>	<u>(120,954)</u>
Expenditures:			
Debt service:			
Principal	<u>576,797</u>	<u>576,797</u>	<u>-</u>
Current:			
Instructional services:			
Regular instructional	94,521	66,417	-
School-based support	7,500	7,461	-
Total instructional services	<u>102,021</u>	<u>73,878</u>	<u>28,143</u>
System-wide support services:			
Operational support	<u>145,753</u>	<u>143,315</u>	<u>2,438</u>
Capital outlay	<u>1,532,348</u>	<u>2,559,003</u>	<u>(1,026,655)</u>
Total expenditures	<u>2,356,919</u>	<u>3,352,993</u>	<u>(996,074)</u>
Revenues over (under) expenditures	35,878	(1,081,150)	(1,117,028)
Other financing sources (uses):			
Transfer other funds	(155,541)	-	155,541
Installment purchase obligations issued	-	1,094,888	1,094,888
Total other financing sources	<u>(155,541)</u>	<u>1,094,888</u>	<u>1,250,429</u>
Fund balance appropriated	<u>119,663</u>	<u>-</u>	<u>(119,663)</u>
Revenues, other financing sources and fund			
Net change in fund balance	<u>\$ -</u>	<u>13,738</u>	<u>\$ 13,738</u>
Fund balance:			
Beginning of year		<u>555,923</u>	
End of year		<u>\$ 569,661</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, 2009

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 866,927	\$ 818,719	\$ (48,208)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,155,332	-
Donated commodities	-	201,503	-
Salaries and benefits	-	1,872,514	-
Indirect costs	-	206,167	-
Materials and supplies	-	149,488	-
Repairs and maintenance	-	25,103	-
Telephone and utilities	-	2,622	-
Contracted services	-	35,445	-
Other	-	18,437	-
Capital outlay	-	14,921	-
Total operating expenditures	<u>3,913,816</u>	<u>3,681,532</u>	<u>232,284</u>
Operating income (loss)	<u>(3,046,889)</u>	<u>(2,862,813)</u>	<u>184,076</u>
Nonoperating revenues:			
Federal reimbursements	2,545,071	2,643,152	98,081
Federal commodities	487,818	201,503	(286,315)
State reimbursements	-	5,990	5,990
Interest earned	14,000	8,630	(5,370)
Total nonoperating revenues	<u>3,046,889</u>	<u>2,859,275</u>	<u>(187,614)</u>
Excess of revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>(3,538)</u>	<u>\$ (3,538)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(28,372)	
Equipment purchases		14,921	
Increase in compensated absences payable		(11,713)	
Decrease in inventory		<u>(41,285)</u>	
Change in net assets (full accrual)		<u>\$ (69,987)</u>	