

**SCOTLAND COUNTY
BOARD OF EDUCATION
Laurinburg, North Carolina**

*Financial Statements
For the Fiscal Year Ended
June 30, 2010*

**SCOTLAND COUNTY BOARD OF EDUCATION
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ANDERSON SMITH & WIKE PLLC

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, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, 2010, and the respective changes in financial position and its cash flows, where applicable, thereof and the respective budgetary comparison for the General, State Public School and Federal Grants funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Scotland County Board of Education, North Carolina. The individual fund budgetary schedules and other 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Anderson Smith & Wike PLLC

October 18, 2010
Rockingham, North Carolina
(910) 997-1418

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

This section of the Scotland County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2010. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

For the fiscal year ended June 30, 2010, the Board's total government-wide net assets increased by \$1.0 million or 2.7%. Governmental activities net assets increased by \$902,000 or 2.5%, and business-type activities net assets increased by \$126,000 or 13.2%.

- Total government-wide invested in capital assets, net of related debt, decreased by \$938,000 or 2.4% from the prior year. Governmental activities total invested in capital assets, net of related debt, decreased by \$957,000 or 2.5%, and business-type activities total invested in capital assets, net of related debt, increased by \$19,000 or 6.3%.
- Total restricted net assets increased by \$50,000 or 18.2%. Restricted net assets are found only in the governmental activities.
- The Board's total government-wide unrestricted net assets at June 30, 2010 increased by \$1.9 million over the prior year. Governmental activities unrestricted net assets increased by \$1.8 million, and business-type activities unrestricted net assets increased by \$106,000 over the prior year.

The increases in both the governmental and business-type activities unrestricted net assets resulted from operational philosophy changes implemented by the new administration. These changes were implemented as a planning measure to maintain current operating levels with expected funding decreases from State and federal sources.

Financing was approved for the Wagram Primary School expansion project. This project will allow the Board to move students currently at Shaw Elementary to Wagram Primary. In turn, this project allows the Board to close East Laurinburg (Alternative Learning Academy) and move those students to Shaw, furthering the consolidation of operations and saving dollars. This transition for students will take place in the 2011-2012 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 2009-2010 fiscal year, the Board of Education received a 3.2% increase in County appropriation.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary 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

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

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.

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.

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

- 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 has one proprietary fund - an enterprise fund – the School Food Service Fund.

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

Fiduciary Funds: 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.

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

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, 2010 as compared to \$37.8 million as of June 30, 2009, an increase of \$1.0 million. The largest component of net assets is invested in capital assets, net of related debt of \$37.8 million, which comprises 97.3% of the total net assets. Following is a summary of the Statement of Net Assets:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Current assets	\$ 5,512,008	\$ 4,168,332	\$ 957,356	\$ 856,913	\$ 6,469,364	\$ 5,025,245
Capital assets	<u>37,774,734</u>	<u>39,096,696</u>	<u>324,314</u>	<u>305,023</u>	<u>38,099,048</u>	<u>39,401,719</u>
Total assets	<u>43,286,742</u>	<u>43,265,028</u>	<u>1,281,670</u>	<u>1,161,936</u>	<u>44,568,412</u>	<u>44,426,964</u>
Current liabilities	4,449,199	5,867,726	162,167	201,518	4,611,366	6,069,244
Long-term liabilities	<u>1,062,814</u>	<u>524,794</u>	<u>41,342</u>	<u>7,871</u>	<u>1,104,156</u>	<u>532,665</u>
Total liabilities	<u>5,512,013</u>	<u>6,392,520</u>	<u>203,509</u>	<u>209,389</u>	<u>5,715,522</u>	<u>6,601,909</u>
Invested in capital assets, net of related debt	37,486,907	38,443,906	324,314	305,023	37,811,221	38,748,929
Restricted net assets	323,558	273,640	-	-	323,558	273,640
Unrestricted net assets (deficit)	<u>(35,736)</u>	<u>(1,845,038)</u>	<u>753,847</u>	<u>647,524</u>	<u>718,111</u>	<u>(1,197,514)</u>
Total net assets	<u>\$ 37,774,729</u>	<u>\$ 36,872,508</u>	<u>\$ 1,078,161</u>	<u>\$ 952,547</u>	<u>\$ 38,852,890</u>	<u>\$ 37,825,055</u>

The net assets of the Board's governmental activities increased \$902,000 during the year, from \$36.9 million at June 30, 2009 to \$37.8 million at June 30, 2010, indicating an improvement in the financial condition of the Board. This improvement is mainly attributable to a \$1.8 million decline in the unrestricted deficit, offset by a decrease of \$957,000 in net assets invested in capital assets, net of related debt. The decline in net assets invested in capital assets, net of related debt is due to an excess of depreciation expense over capital additions for the year.

The net assets of the Board's business-type activities increased \$126,000 from \$953,000 at June 30, 2009 to \$1.1 million at June 30, 2010. This increase of \$126,000 is the net profit generated by our school food service operations during the 2010 fiscal year. The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

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

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/10	6/30/09	6/30/10	6/30/09	6/30/10	6/30/09
Revenues:						
Program revenues:						
Charges for services	\$ 1,253,409	\$ 1,178,816	\$ 715,572	\$ 818,719	\$ 1,968,981	\$ 1,997,535
Operating grants and contributions	49,036,181	53,878,117	2,962,039	2,850,645	51,998,220	56,728,762
Capital grants and contributions	462,494	416,800	36,693	-	499,187	416,800
General revenues:						
Other revenues	16,996,313	13,432,276	4,966	8,630	17,001,279	13,440,906
Total revenues	<u>67,748,397</u>	<u>68,906,009</u>	<u>3,719,270</u>	<u>3,677,994</u>	<u>71,467,667</u>	<u>72,584,003</u>
Expenses:						
Governmental activities:						
Instructional services	52,572,075	56,454,966	-	-	52,572,075	56,454,966
System-wide support services	13,914,561	12,905,855	-	-	13,914,561	12,905,855
Ancillary services	56,888	90,944	-	-	56,888	90,944
Non-programmed charges	14,794	-	-	-	14,794	-
Unallocated depreciation	242,858	153,727	-	-	242,858	153,727
Business-type activities:						
School food service	-	-	3,638,656	3,747,981	3,638,656	3,747,981
Total expenses	<u>66,801,176</u>	<u>69,605,492</u>	<u>3,638,656</u>	<u>3,747,981</u>	<u>70,439,832</u>	<u>73,353,473</u>
Transfers in (out)	<u>(45,000)</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase(decrease) in net assets	902,221	(699,483)	125,614	(69,987)	1,027,835	(769,470)
Beginning 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>
Ending net assets	<u>\$ 37,774,729</u>	<u>\$ 36,872,508</u>	<u>\$ 1,078,161</u>	<u>\$ 952,547</u>	<u>\$ 38,852,890</u>	<u>\$ 37,825,055</u>

Total governmental activities generated revenues of \$67.7 million while expenses in this category totaled \$66.8 million for the year ended June 30, 2009, resulting in the aforementioned increase in net assets of \$902,000 (including transfers to business-type activities of \$45,000). Comparatively, revenues were \$68.9 million and expenses totaled \$69.6 million for the year ended June 30, 2009, resulting in a decrease in net assets of \$699,000. In comparing the two periods, the year-over-year improvement was \$1.6 million. This improvement is due primarily to efforts made by management to better maximize funding from the State Public School Fund for teaching positions.

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 63.2%, 17.0% and 15.4% of our total revenues. As would be expected, the major component of our expenditures was instructional

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

services which accounted for 78.7% of our total expenditures during the most recent fiscal year. Of the remaining 21.3% of our total expenditures, 20.8% was attributable to system-wide support services.

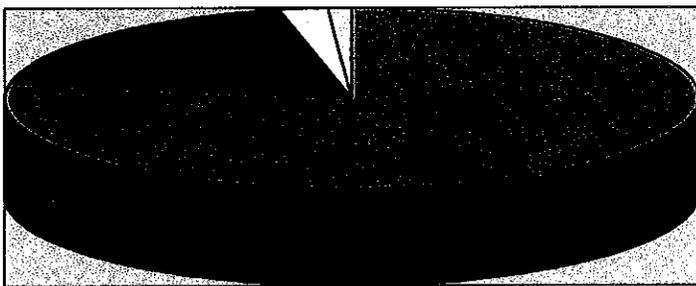
Our business-type activities generated revenues of \$3.7 million, while expenses in this category totaled \$3.6 million for the year ended June 30, 2010. For the year, net assets increased by \$126,000 (including transfers in of \$45,000). Comparatively, net assets declined by \$70,000 for the year ended June 30, 2009. In comparing the two years, the year-over-year improvement was \$196,000. This improvement was largely due to a couple of factors: (1) transfers in of \$45,000 and capital contributions of \$37,000 were received during the current year from other funds, and (2) food costs declined by \$161,000 as the result of the Board securing a lower cost contract with its primary food vendor.

Financial Analysis of the Board's Funds

Governmental Funds: The focus of Scotland County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements.

The Board's governmental funds reported a combined fund balance of \$3.1 million at June 30, 2010, an increase of \$1.6 million over the \$1.5 million reported at June 30, 2009. The Board's General, Capital Outlay and Individual Schools funds each reported increases in fund balance for the year of \$1.5 million, \$82,000 and \$50,000, respectively. Total governmental funds revenues were \$68.1 million for the year while expenditures totaled \$66.5 million. These amounts represent decreases of \$1.1 million and \$4.5 million, respectively, from the amounts reported for the fiscal year ended June 30, 2009. The decline in expenditures was primarily due to a \$3.8 million decrease in regular instructional services. These cuts in regular instructional services were necessary to offset funding decreases from the State Public School Fund. Funding from the U.S. Government through the American Recovery and Reinvestment Act (ARRA) helped to offset a large part of these cuts at the State level.

Categorization of Expenditures for Governmental Funds



- Instructional Services**
- System-wide Support**
- Capital Outlay**
- Other**

Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported an increase in net assets of \$126,000 for the fiscal year ended June 30, 2010 compared to a decrease of \$70,000 for the same 2009 period, an improvement of \$196,000. See the section above titled *Financial Analysis of the Board as a Whole* for a detailed explanation of the reasons for this year-over-year improvement.

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

General Fund Budgetary Highlights

Over the course of the year, the Board revised the budget several times to account for changes in revenue expectations and program allocations. The effect of these revisions was to increase the original budget by \$889,000 during the year. Since several revenue sources are either unknown or uncertain at the beginning of the fiscal year when the original budget is adopted, budget revisions are necessary throughout the year to recognize these adjustments.

For the year, the Board's General Fund reported an increase in fund balance of \$1.5 million. Revenues from Scotland County for the local operating budget increased \$341,000, or 3.2%, over the prior year. Overall, total General Fund revenues increased by \$108,000 over the prior year while expenditures decreased \$2.0 million, or 13.3%. Of the \$2.0 million decrease in expenditures, \$851,000 was in instructional services while \$1.1 million was in system-wide support services. These decreases were primarily for salaries and related benefits, some of which were shifted to the Federal Grants Fund and paid from ARRA funding during the year.

Capital Assets

Total primary government capital assets were \$38.1 million at June 30, 2010 compared to \$39.4 million at June 30, 2009, a decline of 3.3%. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2010 and 2009. More detailed information about the Board's capital assets is contained in Note 2 to the financial statements.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>	<u>6/30/10</u>	<u>6/30/09</u>
Land	\$ 467,029	\$ 467,029	\$ -	\$ -	\$ 467,029	\$ 467,029
Construction in progress	154,108	-	-	-	154,108	-
Buildings and improvements	34,901,006	36,023,023	-	-	34,901,006	36,023,023
Equipment and furniture	727,648	917,516	324,314	305,023	1,051,962	1,222,539
Vehicles	1,524,943	1,689,128	-	-	1,524,943	1,689,128
Total	<u>\$ 37,774,734</u>	<u>\$ 39,096,696</u>	<u>\$ 324,314</u>	<u>\$ 305,023</u>	<u>\$ 38,099,048</u>	<u>\$ 39,401,719</u>

Debt Outstanding

During the year, the Board's long-term debt decreased by \$365,000 from \$653,000 at June 30, 2009 to \$288,000 at June 30, 2010. The Board is limited by North Carolina General Statutes with regards to the types of debt it can issue and for what purpose that debt can be used. The County holds virtually all debt issued for school capital construction. More detailed information about the Board's outstanding debt is contained in Note 2 to the financial statements.

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

Economic Factors

The following factors impact the current economic outlook of Scotland County and the Board of Education:

- The Board's 2009-2010 student population experienced no significant changes from the previous year.
- During the 2009-2010 fiscal year, the County Commissioners continued to increase their financial support for the school district, both in terms of issuing debt instruments to finance capital construction and in terms of operating appropriations. County funding is a major source of income for the school district; therefore, the County's economic outlook directly affects that of the school district. Scotland County's economy remains vested in industrial manufacturing. Along with the national and State economy, our local economy has felt the impact of the recent recession.
- The economic recession had a significant impact on our operations for the year ended June 30, 2010, and will continue to impact our budget for at least another 12 to 18 months. Our State funding was reduced approximately \$3.4 million over the past year. Our local funding remained constant while federal stimulus and stabilization funds helped reduced the overall impact of the State reductions. The State is not committing to school districts that it will be able to resume its previous funding levels by the time the federal stimulus and stabilization dollars run out in the 2011-2012 fiscal year.
- Scotland County's unemployment rate continues to be higher than the national and State averages.
- The Scotland County Economic Development Program was created to promote commercial development, as well as industrial development and growth within the county and surrounding areas.

All of these factors were considered in preparing the Board's budget for the new fiscal year. The Board's budget was created by cutting expenditures and reducing or eliminating services, attempting to protect instructional programs and personnel.

Requests for Information

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

Tony Messer, Director of Finance
Scotland County Board of Education
322 South Main Street
Laurinburg, NC 28352

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2010

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,219,758	\$ 916,000	\$ 4,135,758
Due from other governments	2,065,313	95,893	2,161,206
Receivables	67,023	684	67,707
Internal balances	159,914	(159,914)	-
Inventories	-	104,693	104,693
Capital assets:			
Land and construction in progress	621,137	-	621,137
Other capital assets, net of depreciation	37,153,597	324,314	37,477,911
Total capital assets	<u>37,774,734</u>	<u>324,314</u>	<u>38,099,048</u>
Total assets	<u>43,286,742</u>	<u>1,281,670</u>	<u>44,568,412</u>
Liabilities			
Accounts payable and accrued expenses	224,631	27,723	252,354
Accrued salaries and wages payable	2,213,562	71,284	2,284,846
Unearned revenue	-	7,845	7,845
Long-term liabilities:			
Due within one year	2,011,006	55,315	2,066,321
Due in more than one year	<u>1,062,814</u>	<u>41,342</u>	<u>1,104,156</u>
Total liabilities	<u>5,512,013</u>	<u>203,509</u>	<u>5,715,522</u>
Net assets			
Invested in capital assets, net of related debt	37,486,907	324,314	37,811,221
Restricted for:			
Individual schools activities	323,558	-	323,558
Unrestricted (deficit)	<u>(35,736)</u>	<u>753,847</u>	<u>718,111</u>
Total net assets	<u>\$ 37,774,729</u>	<u>\$ 1,078,161</u>	<u>\$ 38,852,890</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, 2010**

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:								
Instructional activities:								
Regular instructional	\$ 28,516,090	-	\$ 23,620,730	-	\$ (4,895,360)	\$ -	\$ (4,895,360)	
Special populations	6,815,005	-	6,635,811	-	(179,194)	-	(179,194)	
Alternative programs	6,960,053	-	6,817,322	-	(142,731)	-	(142,731)	
School leadership	4,244,486	-	1,652,200	-	(2,592,286)	-	(2,592,286)	
Co-curricular	1,424,479	1,175,488	-	-	(248,991)	-	(248,991)	
School-based support	4,611,962	-	3,187,552	-	(1,424,410)	-	(1,424,410)	
System-wide support services:								
Support and development	389,535	-	206,568	-	(182,967)	-	(182,967)	
Special population support and development	890,586	-	877,597	-	(12,989)	-	(12,989)	
Alternative programs and services								
support and development	234,626	-	207,868	-	(26,758)	-	(26,758)	
Technology support	491,676	-	157,434	-	(334,242)	-	(334,242)	
Operational support	9,988,060	-	4,041,967	462,494	(5,483,599)	-	(5,483,599)	
Financial and human resource services	788,475	77,921	719,749	-	9,195	-	9,195	
Accountability	183,078	-	147,629	-	(35,449)	-	(35,449)	
System-wide pupil support	64,467	-	60,965	-	(3,502)	-	(3,502)	
Policy, leadership and public relations	884,058	-	445,998	-	(438,060)	-	(438,060)	
Ancillary services	56,888	-	38,888	-	(18,000)	-	(18,000)	
Non-programmed charges	14,794	-	217,903	-	203,109	-	203,109	
Unallocated depreciation expense**	242,858	-	-	-	(242,858)	-	(242,858)	
Total governmental activities	66,801,176	1,253,409	49,036,181	462,494	(16,049,092)	-	(16,049,092)	
Business-type activities:								
School food service	3,638,656	715,572	2,962,039	36,693	-	75,648	75,648	
Total primary government	\$ 70,439,832	\$ 1,968,981	\$ 51,998,220	\$ 499,187	(16,049,092)	75,648	(15,973,444)	
General revenues:								
Unrestricted county appropriations - operating					10,871,381	-	10,871,381	
Unrestricted county appropriations - capital					680,015	-	680,015	
Unrestricted State appropriations - operating					3,612,398	-	3,612,398	
Unrestricted Federal appropriations - operating					7,332	-	7,332	
Unrestricted State appropriation - capital					825,907	-	825,907	
Investment earnings, unrestricted					33,730	4,966	38,696	
Miscellaneous, unrestricted					965,550	-	965,550	
Transfers					(45,000)	45,000	-	
Total general revenues					16,951,313	49,966	17,001,279	
Change in net assets					902,221	125,614	1,027,835	
Net assets - beginning					36,872,508	952,547	37,825,055	
Net assets - ending					\$ 37,774,729	\$ 1,078,161	\$ 38,852,890	

**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, 2010**

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	\$ 2,196,114	\$ -	\$ -	\$ 700,086	\$ 323,558	\$ -	\$ 3,219,758
Due from other governments	30,324	1,713,304	321,685	-	-	-	2,065,313
Accounts receivable	67,023	-	-	-	-	-	67,023
Due from other funds	159,914	-	-	-	-	-	159,914
Total assets	\$ 2,453,375	\$ 1,713,304	\$ 321,685	\$ 700,086	\$ 323,558	\$ -	\$ 5,512,008
Liabilities and Fund balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 176,674	\$ -	\$ -	\$ 47,957	\$ -	\$ -	\$ 224,631
Accrued salaries and wages payable	178,573	1,713,304	321,685	-	-	-	2,213,562
Total liabilities	355,247	1,713,304	321,685	47,957	-	-	2,438,193
Fund balances:							
Reserved for:							
Encumbrances	-	-	-	111,266	-	-	111,266
State statute	257,261	-	-	-	-	-	257,261
Unreserved:							
Designated for subsequent year's expenditures	433,441	-	-	167,000	-	-	600,441
Undesignated, reported in:							
General Fund	1,407,426	-	-	-	-	-	1,407,426
Special Revenue Funds	-	-	-	-	323,558	-	323,558
Capital Projects Fund	-	-	-	373,863	-	-	373,863
Total fund balances	2,098,128	-	-	652,129	323,558	-	3,073,815
Total liabilities and fund balances	\$ 2,453,375	\$ 1,713,304	\$ 321,685	\$ 700,086	\$ 323,558	\$ -	\$ 37,774,729

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Some liabilities, including those for compensated absences and installment purchases, are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

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, 2010**

Exhibit 4

	Major Funds					Non-major Fund		Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools			
State of North Carolina	\$ 1,599,951	\$ 40,283,188	\$ -	\$ 1,190,870	\$ -	\$ -	\$ 43,074,009	
Scotland County	10,871,381	-	-	680,015	-	-	11,551,396	
U.S. Government	573,096	-	9,914,230	-	-	-	10,487,326	
Other	1,502,553	-	-	345,671	1,175,488	-	3,023,712	
Total revenues	14,546,981	40,283,188	9,914,230	2,216,556	1,175,488	-	68,136,443	
Expenditures:								
Current:								
Instructional services:								
Regular instructional	1,725,589	23,292,448	2,484,475	127,710	-	-	27,630,222	
Special populations	368,164	5,280,145	1,193,547	-	-	-	6,841,856	
Alternative programs	1,603,052	1,913,542	3,470,882	-	-	-	6,987,476	
School leadership	2,555,668	1,705,541	-	-	-	-	4,261,209	
Co-curricular	299,343	-	5,179	-	1,125,570	-	1,430,092	
School-based support	1,287,083	2,587,854	728,415	26,781	-	-	4,630,133	
System-wide support services:								
Support and development	175,688	142,420	72,962	-	-	-	391,070	
Special population support and development	16,498	51,897	825,700	-	-	-	894,095	
Alternative programs and services								
support and development	27,682	-	207,868	-	-	-	235,550	
Technology support	16,067	443,848	33,698	-	-	-	493,613	
Operational support	4,232,172	3,553,331	443,636	128,581	-	-	8,357,720	
Financial and human resource services	323,870	545,363	191,077	-	-	-	1,060,310	
Accountability	36,170	147,629	-	-	-	-	183,799	
System-wide pupil support	3,756	60,965	-	-	-	-	64,721	
Policy, leadership and public relations	369,096	513,205	-	5,240	-	-	887,541	
Ancillary services	18,000	-	38,888	-	-	-	56,888	
Non-programmed charges	14,794	-	217,903	-	-	-	232,697	
Debt service:								
Principal retirement	-	-	-	364,963	-	-	364,963	
Capital outlay	-	-	-	1,480,813	-	-	1,480,813	
Total expenditures	13,072,692	40,238,188	9,914,230	2,134,088	1,125,570	-	66,484,768	
Revenues over expenditures	1,474,289	45,000	-	82,468	49,918	-	1,651,675	
Other financing uses:								
Transfers to other funds	-	(45,000)	-	-	-	-	(45,000)	
Net change in fund balance	1,474,289	-	-	82,468	49,918	-	1,606,675	
Fund balances:								
Beginning of year	623,839	-	-	569,661	273,640	-	1,467,140	
End of year	\$ 2,098,128	\$ -	\$ -	\$ 652,129	\$ 323,558	\$ -	\$ 3,073,815	

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, 2010

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 1,606,675
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,419,493)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	97,531
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.	364,963
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>252,545</u>
 Total changes in net assets of governmental activities	 <u>\$ 902,221</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

Exhibit 6

	General Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 1,524,408	\$ 1,524,408	\$ 1,599,951	\$ 75,543
Scotland County	10,530,637	10,871,381	10,871,381	-
U.S. Government	536,939	659,477	573,096	(86,381)
Other	663,614	1,083,894	1,502,553	418,659
Total revenues	<u>13,255,598</u>	<u>14,139,160</u>	<u>14,546,981</u>	<u>407,821</u>
Expenditures:				
Current:				
Instructional services	7,475,112	8,921,926	7,838,899	1,083,027
System-wide support services	6,217,160	5,595,220	5,200,999	394,221
Ancillary services	-	65,000	18,000	47,000
Non-programmed charges	16,222	15,011	14,794	217
Total expenditures	<u>13,708,494</u>	<u>14,597,157</u>	<u>13,072,692</u>	<u>1,524,465</u>
Revenues over (under) expenditures	(452,896)	(457,997)	1,474,289	1,932,286
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	452,896	457,997	-	(457,997)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,474,289	<u>\$ 1,474,289</u>
Fund balances:				
Beginning of year			623,839	
End of year			<u>\$ 2,098,128</u>	

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

Exhibit 6 (continued)

SCOTLAND COUNTY BOARD OF EDUCATION
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	State Public School Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 40,642,530	\$ 40,848,693	\$ 40,283,188	\$ (565,505)
Scotland County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>40,642,530</u>	<u>40,848,693</u>	<u>40,283,188</u>	<u>(565,505)</u>
Expenditures:				
Current:				
Instructional services	37,521,697	35,303,900	34,779,530	524,370
System-wide support services	3,120,833	5,499,793	5,458,658	41,135
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>40,642,530</u>	<u>40,803,693</u>	<u>40,238,188</u>	<u>565,505</u>
Revenues over (under) expenditures	-	45,000	45,000	-
Other financing uses:				
Transfers to other funds	-	(45,000)	(45,000)	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

SCOTLAND COUNTY BOARD OF EDUCATION **EXHIBIT 6 (continued)**
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

	Federal Grants Fund			Variance with final budget positive (negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Scotland County	-	-	-	-
U.S. Government	11,654,737	13,243,588	9,914,230	(3,329,358)
Other	-	-	-	-
Total revenues	11,654,737	13,243,588	9,914,230	(3,329,358)
Expenditures:				
Current:				
Instructional services	6,244,290	9,708,839	7,882,498	1,826,341
System-wide support services	3,303,415	2,008,242	1,774,941	233,301
Ancillary services	36,693	39,861	38,888	973
Nonprogrammed charges	2,070,339	1,486,646	217,903	1,268,743
Total expenditures	11,654,737	13,243,588	9,914,230	3,329,358
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balances:				
Beginning of year			-	
End of year			\$ -	

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, 2010

Exhibit 7

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 916,000
Due from other governments	95,893
Receivables	684
Inventories	<u>104,693</u>
Total current assets	<u>1,117,270</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>324,314</u>
Total assets	<u>1,441,584</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	27,723
Accrued salaries and wages payable	71,284
Due to other funds	159,914
Compensated absences	55,315
Unearned revenue	<u>7,845</u>
Total current liabilities	<u>322,081</u>
Noncurrent liabilities:	
Compensated absences	<u>41,342</u>
Total liabilities	<u>363,423</u>
Net assets	
Invested in capital assets	324,314
Unrestricted	<u>753,847</u>
Total net assets	<u>\$ 1,078,161</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, 2010

Exhibit 8

	Enterprise Fund
	<u>Major Fund</u>
	<u>School Food Service</u>
Operating revenues:	
Food sales	\$ <u>715,572</u>
Operating expenses:	
Food cost:	
Purchase of food	1,025,700
Donated commodities	211,764
Salaries and benefits	1,864,432
Indirect costs	267,674
Materials and supplies	92,634
Repairs and maintenance	27,152
Depreciation	46,870
Non-capitalized equipment	11,066
Contracted services	46,495
Other	<u>44,869</u>
Total operating expenses	<u>3,638,656</u>
Operating loss	<u>(2,923,084)</u>
Nonoperating revenues:	
Federal reimbursements	2,743,061
Federal commodities	211,764
State reimbursements	7,214
Interest earned	<u>4,966</u>
Total nonoperating revenues	<u>2,967,005</u>
Income before transfers and contributions	43,921
Transfers from other funds	45,000
Contributions:	
Capital contributions	<u>36,693</u>
Change in net assets	125,614
Net assets, beginning of year	<u>952,547</u>
Net assets, end of year	<u>\$ 1,078,161</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2010

Exhibit 9

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 713,913
Cash paid for goods and services	(1,547,296)
Cash paid to employees for services	<u>(1,818,572)</u>
Net cash used by operating activities	<u>(2,651,955)</u>
Cash flows from noncapital financing activities:	
Due to other funds	159,914
Due from other funds	57,813
Federal and State reimbursements	<u>2,770,163</u>
Net cash provided by noncapital financing activities	<u>2,987,890</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(29,468)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>4,966</u>
Net increase in cash and cash equivalents	311,433
Cash and cash equivalents, beginning of year	<u>604,567</u>
Cash and cash equivalents, end of year	<u>\$ 916,000</u>
Reconciliation of operating loss to net cash used	
by operating activities:	
Operating loss	<u>\$ (2,923,084)</u>
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Depreciation	46,870
Donated commodities	211,764
Salaries paid by special revenue fund	45,000
Changes in assets and liabilities:	
Increase in accounts receivable	(684)
Increase in inventories	(25,941)
Decrease in accounts payable and accrued liabilities	(5,765)
Increase in accrued salaries and wages payable	5,803
Decrease in unearned revenue	(975)
Decrease in compensated absences payable	<u>(4,943)</u>
Total adjustments	<u>271,129</u>
Net cash used by operating activities	<u>\$ (2,651,955)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$211,764 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

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

School Food Service capital assets with a value of \$36,693 were purchased by the Federal Grants and Capital Outlay Funds during the year. The value of these assets is reflected as a capital contribution on Exhibit 8.

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

**SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2010**

Exhibit 10

	<u>Administrative Fund</u>
Assets	
Cash and cash equivalents	\$ <u>225,764</u>
Liabilities	
Accounts payable and accrued liabilities	\$ <u>4,300</u>
Net assets	
Assets held in trust for private purpose	\$ <u>221,464</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, 2010

Exhibit 11

	<u>Administrative Fund</u>
Additions:	
Contributions and other revenue	\$ 2,770
Deductions:	
Instructional costs	<u>5,800</u>
Change in net assets	(3,030)
Beginning net assets	<u>224,494</u>
Ending net assets	<u>\$ 221,464</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, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Scotland County Board of Education conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Scotland County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Scotland County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. The Board has no component units.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including its fiduciary fund. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The fiduciary fund is presented separately.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. All expenses are considered to be operating expenses.

The Board reports the following major governmental funds:

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

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2010

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

Capital Outlay Fund. The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Scotland County appropriations, restricted sales tax moneys, proceeds of county debt issued for public school construction, lottery proceeds as well as certain State assistance.

The Board reports the following 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.

D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the individual schools special revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually

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

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

The Board's investments are reported at 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. 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.

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

5. Long-term Obligations

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

6. Compensated Absences

The Board follows the State's policy for vacation and sick leave. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Board, the current portion of the accumulated vacation pay is not considered to be material. The Board's liability for accumulated earned vacation and the salary-related payments as of June 30, 2010 is recorded in the government-wide and proprietary fund financial statements on a FIFO basis. An estimate has been made based on prior years' records of the current portion of compensated absences.

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

7. Net Assets/Fund Balances

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

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

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

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The governmental fund types classify fund balances as follows:

Reserved:

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to 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 2010-2011 budget ordinance.

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

8. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$34,700,914 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)	\$ 64,082,745
Less accumulated depreciation	<u>(26,308,011)</u>
Net capital assets	37,774,734
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Installment purchases	(287,827)
Compensated absences	<u>(2,785,993)</u>
Total adjustment	<u>\$ 34,700,914</u>

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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 (\$704,454) 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	\$ 376,857
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	(1,796,350)
Revenues in the statement of activities that do not provide current financial Resources are not reported as revenues in the funds. Amount of donated assets	97,531
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	364,963
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	<u>252,545</u>
Total adjustment	<u>\$ (704,454)</u>

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

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At June 30, 2010, the Board had deposits with banks and savings and loans with a carrying amount of \$1,853,845 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$2,086,801 and \$267,052, respectively. Of these balances, \$774,736 was covered by federal depository insurance and \$1,579,117 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2010, the Board had \$2,507,677 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.6 years at June 30, 2010. The Board has no policy for managing interest rate risk or credit risk.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2010 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 159,914	\$ 30,324	\$ 67,023	\$ 257,261
Other governmental activities	-	2,034,989	-	2,034,989
Total governmental activities	\$ 159,914	\$ 2,065,313	\$ 67,023	\$ 2,292,250
Business-type activities:				
School Food Service Fund	\$ (159,914)	\$ 95,893	\$ 684	\$ (63,337)

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 30,324	State and Federal grant funds
State Public School Fund	1,713,304	Operating funds from DPI
Federal Grants Fund	321,685	Federal grant funds
Total	\$ 2,065,313	
Business-type activities:		
School Food Service Fund	\$ 95,893	Federal funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 467,029	\$ -	\$ -	\$ 467,029
Construction in progress	-	154,108	-	154,108
Total capital assets not being depreciated	<u>467,029</u>	<u>154,108</u>	<u>-</u>	<u>621,137</u>
Capital assets being depreciated:				
Buildings and improvements	54,096,879	-	-	54,096,879
Equipment and furniture	2,111,015	52,990	5,204	2,158,801
Vehicles	7,133,173	267,290	194,535	7,205,928
Total capital assets being depreciated	<u>63,341,067</u>	<u>320,280</u>	<u>199,739</u>	<u>63,461,608</u>
Less accumulated depreciation for:				
Buildings and improvements	18,073,856	1,122,017	-	19,195,873
Equipment and furniture	1,193,499	242,858	5,204	1,431,153
Vehicles	5,444,045	431,475	194,535	5,680,985
Total accumulated depreciation	<u>24,711,400</u>	<u>1,796,350</u>	<u>199,739</u>	<u>26,308,011</u>
Total capital assets being depreciated, net	<u>38,629,667</u>			<u>37,153,597</u>
Governmental activity capital assets, net	<u>\$ 39,096,696</u>			<u>\$ 37,774,734</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
School Food Service Fund:				
Capital assets being depreciated:				
Equipment, furniture and vehicles	\$ 1,087,119	\$ 66,161	\$ 36,541	\$ 1,116,739
Less accumulated depreciation for:				
Equipment, furniture and vehicles	782,096	46,870	36,541	792,425
School Food Service capital assets, net	<u>\$ 305,023</u>			<u>\$ 324,314</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,122,017
System-wide support services	431,475
Unallocated depreciation	<u>242,858</u>
Total	<u>\$ 1,796,350</u>

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5. Construction and Other Significant Commitments

As of June 30, 2010, the Board had a renovation project in progress for construction of a classroom addition at Wagram Primary. Architect fees totaling \$154,108 were paid during the year. At year-end, the Board had a commitment with a contractor for this project totaling \$2,279,000, none of which had been paid as of June 30, 2010.

B. Liabilities

1. Pension Plan and Other Postemployment 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 3.57% 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, 2010, 2009, and 2008 were \$1,449,597, \$1,524,638, and \$1,360,356, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

Healthcare Benefits

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

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

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the

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General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2010, 2009, and 2008, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,827,224, \$1,860,422, and \$1,828,675, respectively. These contributions represented 4.50%, 4.10%, and 4.10% of covered payroll, respectively.

Long-term Disability Benefits

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

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

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

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eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2010, 2009, and 2008, the Board paid all annual required contributions to the DIPNC for disability benefits of \$211,146, \$235,956, and \$231,930, respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

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2. Accounts Payable

Accounts payable as of June 30, 2010 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 176,674	\$ 178,573	\$ 355,247
Other governmental activities	<u>47,957</u>	<u>2,034,989</u>	<u>2,082,946</u>
Total governmental activities	<u>\$ 224,631</u>	<u>\$ 2,213,562</u>	<u>\$ 2,438,193</u>
Business-type activities:			
School Food Service Fund	<u>\$ 27,723</u>	<u>\$ 71,284</u>	<u>\$ 99,007</u>

3. Unearned Revenues

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

Business-type activities:

Prepayments of meals (School Food Service Fund)	<u>\$ 7,845</u>
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4. Risk Management

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

The Board also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the Board are eligible to receive health care benefits up to a \$5 million lifetime limit. The Board pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan.

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In accordance with G.S. 115C-442, the Board's employees who have custody of the Board's monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

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

5. Contingent Liabilities

As of the date of our report, the Board was a defendant to a lawsuit. The Board's management and the Board's attorney have been unable to determine the amount of loss, if any, the Board will incur as a result of this legal matter.

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During 2009, the Board entered into such a financing contract for the purchase of school buses. The financing contract requires three equal principal-only payments of \$287,827, due at the beginning of each contract year.

The future minimum payments of the installment purchases as of June 30, 2010 are as follows:

Year Ending June 30:	<u>Governmental Activities</u>
	<u>Principal</u>
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, 2010:

	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 652,790	\$ -	\$ 364,963	\$ 287,827	\$ 287,827
Compensated absences	<u>3,038,538</u>	<u>2,355,201</u>	<u>2,607,746</u>	<u>2,785,993</u>	<u>1,723,179</u>
Total governmental activities	<u>\$ 3,691,328</u>	<u>\$ 2,355,201</u>	<u>\$ 2,972,709</u>	<u>\$ 3,073,820</u>	<u>\$ 2,011,006</u>
Business-type activities:					
Compensated absences	<u>\$ 101,600</u>	<u>\$ 74,526</u>	<u>\$ 79,469</u>	<u>\$ 96,657</u>	<u>\$ 55,315</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, 2010**

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds at June 30, 2010 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 45,000</u>
--	------------------

2. Interfund Balances

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	<u>\$ 159,914</u>

The amount due to the General Fund from the School Food Service Fund is for indirect cost owed for the 2009 – 2010 fiscal year. This amount is expected to be paid prior to June 30, 2011.

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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
More at Four Grant	\$ 1,409,460	\$ 1,485,003	\$ 75,543
Other	114,948	114,948	-
Total State of North Carolina	<u>1,524,408</u>	<u>1,599,951</u>	<u>75,543</u>
Scotland County:			
County appropriation	<u>10,871,381</u>	<u>10,871,381</u>	<u>-</u>
U.S. Government:			
Impact Aid	5,000	7,332	2,332
Indian Education	189,351	176,124	(13,227)
Workforce Investment Act	285,345	284,891	(454)
ROTC	45,000	62,968	17,968
Other	134,781	41,781	(93,000)
U.S. Government	<u>659,477</u>	<u>573,096</u>	<u>(86,381)</u>
Other:			
Fines and forfeitures	175,000	190,053	15,053
Interest earned on investment	29,500	33,671	4,171
Indirect costs allocated	288,385	497,602	209,217
Contributions and donations	154,701	214,690	59,989
Rental of school property	43,200	77,921	34,721
Medicaid reimbursement program	125,699	172,993	47,294
School nurse reimbursement	103,000	112,453	9,453
Other refunds and reimbursements	-	23,096	23,096
Miscellaneous	164,409	180,074	15,665
Total other	<u>1,083,894</u>	<u>1,502,553</u>	<u>418,659</u>
Total revenues	<u>14,139,160</u>	<u>14,546,981</u>	<u>407,821</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	1,725,589	-
Special populations	-	368,164	-
Alternative programs	-	1,603,052	-
School leadership	-	2,555,668	-
Co-curricular	-	299,343	-
School-based support	-	1,287,083	-
Total instructional services	<u>8,921,926</u>	<u>7,838,899</u>	<u>1,083,027</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, 2010

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
System-wide support services:			
Support and development	-	175,688	-
Special population support and development	-	16,498	-
Alternative programs and services support and development	-	27,682	-
Technology support	-	16,067	-
Operational support	-	4,232,172	-
Financial and human resource services	-	323,870	-
Accountability	-	36,170	-
System-wide pupil support	-	3,756	-
Policy, leadership and public relations	-	369,096	-
Total system-wide support services	<u>5,595,220</u>	<u>5,200,999</u>	<u>394,221</u>
Ancillary services:			
Nutrition	<u>65,000</u>	<u>18,000</u>	<u>47,000</u>
Non-programmed charges			
Payments to other governments	<u>15,011</u>	<u>14,794</u>	<u>217</u>
Total expenditures	<u>14,597,157</u>	<u>13,072,692</u>	<u>1,524,465</u>
Revenues over (under) expenditures	(457,997)	1,474,289	1,932,286
Fund balance appropriated	<u>457,997</u>	-	<u>(457,997)</u>
Net change in fund balance	<u>\$ -</u>	1,474,289	<u>\$ 1,474,289</u>
Fund balance:			
Beginning of year		<u>623,839</u>	
End of year		<u>\$ 2,098,128</u>	

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

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2009	Fund balances June 30, 2010
Scotland High	\$ 527,996	\$ 509,314	\$ 18,682	\$ 121,868	\$ 140,550
Carver Middle	92,925	80,434	12,491	23,159	35,650
Spring Hill Middle	125,784	126,596	(812)	11,508	10,696
Sycamore Lane Middle	115,251	108,694	6,557	6,891	13,448
Shaw Elementary	16,052	16,609	(557)	5,263	4,706
I. Ellis Johnson Elementary	28,950	27,068	1,882	3,862	5,744
Covington Street Primary	58,430	55,964	2,466	2,938	5,404
Laurel Hill Elementary	52,045	46,901	5,144	30,600	35,744
North Laurinburg Elementary	11,262	9,485	1,777	2,574	4,351
Pate-Gardner Elementary	10,163	13,599	(3,436)	11,399	7,963
South Scotland Elementary	47,894	39,653	8,241	19,656	27,897
Wagram Elementary	24,056	23,408	648	5,494	6,142
Washington Park Elementary	41,727	41,861	(134)	17,284	17,150
East Laurinburg Academy	1,171	1,182	(11)	9	(2)
Scotland Accelerated Academy	17,405	20,884	(3,479)	9,686	6,207
Scotland Early College	<u>4,377</u>	<u>3,918</u>	<u>459</u>	<u>1,449</u>	<u>1,908</u>
Totals	<u>\$ 1,175,488</u>	<u>\$ 1,125,570</u>	<u>\$ 49,918</u>	<u>\$ 273,640</u>	<u>\$ 323,558</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, 2010**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 1,426,199	\$ 364,963	\$ (1,061,236)
Public School Capital Fund - Lottery	825,000	825,907	907
Total State of North Carolina	2,251,199	1,190,870	(1,060,329)
Scotland County:			
County appropriations	680,015	680,015	-
Other:			
Fines and forfeitures	226,555	226,555	-
Interest earned on investments	60	59	(1)
Insurance proceeds	46,552	46,552	-
Miscellaneous	8,907	72,505	63,598
Total other	282,074	345,671	63,597
Total revenues	3,213,288	2,216,556	(996,732)
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	127,710	-
School-based support	-	26,781	-
Total instructional services	163,804	154,491	9,313
System-wide support services:			
Operational support	-	128,581	-
Policy, leadership and public relations	-	5,240	-
Total system-wide support services	1,200,365	133,821	1,066,544
Debt service:			
Principal retirement	364,963	364,963	-
Capital outlay	1,574,156	1,480,813	93,343
Total expenditures	3,303,288	2,134,088	1,169,200
Revenues under expenditures	(90,000)	82,468	172,468
Fund balance appropriated	90,000	-	(90,000)
Net change in fund balance	\$ -	82,468	\$ 82,468
Fund balance:			
Beginning of year		569,661	
End of year		\$ 652,129	

**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, 2010**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 887,895	\$ 715,572	\$ (172,323)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,051,641	-
Donated commodities	-	211,764	-
Salaries and benefits	-	1,869,375	-
Indirect costs	-	267,674	-
Materials and supplies	-	92,634	-
Repairs and maintenance	-	27,152	-
Non-capitalized equipment	-	11,066	-
Contracted services	-	46,495	-
Other	-	44,869	-
Capital outlay	-	29,468	-
Total operating expenditures	<u>3,668,495</u>	<u>3,652,138</u>	<u>16,357</u>
Operating loss	<u>(2,780,600)</u>	<u>(2,936,566)</u>	<u>(155,966)</u>
Nonoperating revenues:			
Federal reimbursements	2,454,600	2,743,061	288,461
Federal commodities	320,000	211,764	(108,236)
State reimbursements	-	7,214	7,214
Interest earned	<u>6,000</u>	<u>4,966</u>	<u>(1,034)</u>
Total nonoperating revenues	<u>2,780,600</u>	<u>2,967,005</u>	<u>186,405</u>
Excess of revenues over expenditures before other financing sources	-	30,439	30,439
Other financing sources:			
Transfers from other funds	-	<u>45,000</u>	<u>45,000</u>
Net change in fund balance	<u>\$ -</u>	<u>75,439</u>	<u>\$ 75,439</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(46,870)	
Capital contributions		36,693	
Equipment purchases		29,468	
Decrease in compensated absences payable		4,943	
Increase in inventories		<u>25,941</u>	
Change in net assets (full accrual)		<u>\$ 125,614</u>	



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 Scotland County Board of Education
Laurinburg, 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, 2010, which collectively comprise the Scotland County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated October 18, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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.

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 entity, 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.

Anderson Smith & Wike PLLC

October 18, 2010

Rockingham, North Carolina



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 Scotland County Board of Education
Laurinburg, North Carolina

Compliance

We have audited Scotland County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2010. 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 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 entity, 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.

Anderson Smith & Wike PLLC

*October 18, 2010
Rockingham, North Carolina*



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 Scotland County Board of Education
Laurinburg, North Carolina

Compliance

We have audited Scotland County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2010. The Scotland County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the Scotland County Board of Education, North Carolina's management. Our responsibility is to express an opinion on the Scotland County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as item 10-01.

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on the response.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 entity, 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.

Anderson Smith & Wike PLLC

*October 18, 2010
Rockingham, North Carolina*

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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 *No*

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:

CFDA Numbers	Names of Federal Program or Cluster
	Title I Cluster:
84.010	Title I, Educationally Deprived Children
84.389	Title I, Educationally Deprived Children - ARRA
84.394	Education Stabilization Fund - ARRA

Dollar threshold used to distinguish between Type A and Type B Programs *\$ 300,000*

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, 2010**

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 No

Type of auditors' 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 Yes

Identification of major State programs:

Program Name

State Public School Fund
State Lottery Funds

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.

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2010**

Section IV - State Award Findings and Questioned Costs

N.C. Department of Public Instruction
Program Name: State Public School Fund

Finding 10-01

Activities Allowed or Unallowed

Criteria: The Board cannot exceed the number of positions or months of employment allotted by the Department of Public Instruction. (DPI).

Condition: The Board exceeded the number of months allotted by DPI for the 2009-2010 fiscal year.

Effect: The Board exceeded the months allotted for classroom teachers by 4.76 months. The total allotment (in months) for classroom teachers was 2,615.36.

Cause: Management budgeted salaries to ensure that the Board utilized all months allotted by DPI.

Questioned Cost: \$-0-. The Board has accrued a liability of \$23,771 as of June 30, 2010, payable to the State of North Carolina, for the excess months of employment used.

Recommendation: We recommend that the Board implement procedures to minimize position allotment overdrafts and refund any overdrafts in a timely manner.

Views of responsible officials and planned corrective actions:

The Board agrees with the finding and will implement procedures to minimize position allotment overdrafts and refund any overdrafts in a timely manner.

**SCOTLAND COUNTY BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
For the Fiscal Year Ended June 30, 2010**

Finding 10-01

Name of Contact Person: Tony Messer, Finance Officer

Corrective Action Plan: Procedures will be implemented to minimize position allotment overdrafts and make any necessary refunds to DPI in a timely manner.

Proposed Completion Date: Immediately

**SCOTLAND COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2010**

Finding: 09-01
Status: Corrected.

Finding: 09-02
Status: Corrected.

Finding: 09-03
Status: Corrected.

Finding: 09-04
Status: Corrected.

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:		
<u>U.S. Department of Agriculture</u>		
Passed-through the N.C. Department of Public Instruction:		
Child Nutrition Cluster:		
Noncash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 211,764
Cash Assistance:		
School Breakfast Program	10.553	690,370
National School Lunch Program	10.555	2,033,168
Summer Food Service Program for Children	10.559	19,523
Cash Assistance Subtotal		<u>2,743,061</u>
Total Child Nutrition Cluster		2,954,825
Child Nutrition Discretionary Funds - ARRA	10.579	<u>36,693</u>
Total U.S. Department of Agriculture		<u>2,991,518</u>
<u>U.S. Department of Labor</u>		
Passed-through the Lumber River Council of Governments		
Workforce Investment Act	17.259	236,863
Workforce Investment Act - ARRA	17.259	<u>48,028</u>
Total Workforce Investment Act Cluster		<u>284,891</u>
<u>U.S. Department of Education</u>		
Office of Innovation and Improvement		
Direct Program:		
Fund for the Improvement of Education	84.215K	2,000
Office of Elementary and Secondary Education		
Direct Program:		
Indian Education	84.060	176,124
Impact Aid (School Assistance in Federally Affected Areas)	84.041	7,332
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		
Title I Cluster		
Educationally Deprived Children	84.010	2,623,573
Educationally Deprived Children - ARRA	84.389	<u>822,315</u>
Total Title I Cluster		<u>3,445,888</u>
School Improvement Cluster:		
School Improvement	84.010A	55,801
School Improvement - ARRA	84.388	<u>33,513</u>
Total School Improvement Cluster		<u>89,314</u>

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	36,367
Twenty-first Century Community Learning Centers	84.287C	200,000
Improving Teacher Quality	84.367A	390,139
State Fiscal Stabilization Fund - Education State Grants - ARRA	84.394	1,872,113
Rural and Low Income Schools	84.358B	163,005
Reading First	84.357A	<u>668,701</u>
Education for Homeless Children and Youth Cluster:		
Education for Homeless Children and Youth	84.196	27,379
Education for Homeless Children and Youth - ARRA	84.387	<u>5,694</u>
Total Education for Homeless Children and Youth Cluster		<u>33,073</u>
Education Technology Cluster:		
Educational Technology	84.318X	81,883
Educational Technology - ARRA	84.386	<u>396,178</u>
Total Education Technology Cluster		<u>478,061</u>
Passed-through the University of North Carolina at Pembroke		
Site Learning Grant	84.376B	20,798
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	1,255,934
Special Education - Special Needs	84.027	43,049
Special Education - Grants to States - ARRA	84.391	928,410
Special Education - Capacity Building /Improvement	84.027A	30,222
Special Education - Preschool Grants	84.173	58,340
Special Education - Preschool Grants - ARRA	84.392	<u>37,588</u>
Total Special Education Cluster		<u>2,353,543</u>
Title VI-B, Education of the Handicapped	84.323A	8,972
Office of Vocational and Adult Education		
Passed-through the N.C. Department of Public Instruction:		
Carl D. Perkins Vocational and Applied Technology		
Education Act Amendments of 1990		
Basic Grants to States		
Program Development	84.048	<u>138,361</u>
Passed-through Richmond County Board of Education		
Tech-Prep Education	84.243	<u>18,983</u>
Total U.S. Department of Education		<u>10,102,774</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
ROTC	None	<u>62,968</u>
Total Federal Assistance		<u>\$ 13,442,151</u>

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2010**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
State Grants:		
<u>N.C. Department of Public Instruction:</u>		
State Public School Fund		\$ 37,943,505
Vocational Education		
State Months of Employment		1,856,693
Program Support Funds		92,100
Driver Training		153,058
School Technology Fund		143,922
State appropriations - buses		364,963
Textbooks (noncash)		93,910
Passed-through Scotland County:		
Public School Capital Fund - Lottery		825,907
Total NC Department of Public Instruction		<u>41,474,058</u>
<u>N.C. Department of Agriculture</u>		
State Kindergarten Breakfast Program		<u>7,214</u>
<u>N.C. Department of Health and Human Services</u>		
Division of Child Development:		
More at Four		<u>1,485,003</u>
<u>North Carolina General Assembly</u>		
Drop Out Prevention Grant		<u>114,948</u>
Total State Assistance		<u>43,081,223</u>
Total Federal and State Assistance		<u>\$ 56,523,374</u>

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

1. Basis of Presentation

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