

Comprehensive Annual Financial Report

Scotland County Board of Education

Laurinburg, NC



For the Fiscal Year
Ended June 30, 2011

An Investment in the Future

*Scotland County Board of Education
Laurinburg, North Carolina*

**Comprehensive Annual
Financial Report
For the Fiscal Year Ended
June 30, 2011**

Prepared by
Tony M. Messer
and the
Finance Department



**SCOTLAND COUNTY BOARD OF EDUCATION
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Introductory Section



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

November 11, 2011

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

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of the Scotland County Board of Education, operating as the "Scotland County Schools", for the fiscal year ended June 30, 2011, is herewith submitted. Responsibility for the accuracy, completeness and clarity of the report rests with the Superintendent and the Chief Financial Officer.

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

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

REPORTING ENTITY

The Scotland County Board of Education (Board), elected by the citizens of Scotland County, is the level of government having oversight responsibility and control over activities related to the public schools in Scotland County, North Carolina. N.C. General Statutes empower the Scotland County Board of Education with general control and supervision of all matters pertaining to the schools in the system. For the 2010-2011 fiscal year, the school system served approximately 6,200 students from kindergarten through 12th grade in 9 elementary schools, 3 middle schools, 1 high school and 3 special/alternative schools. The school system provides general, special and vocational education services. The school system receives local, State, and federal government funding and must comply with the legal requirements of each funding source entity. While the Board does receive county funding, the county is not entitled to share in any surplus nor is it required to finance any deficits. The Board has no tax levying or borrowing authority and is required to maintain accounting records according to a Uniform State format.

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

FINANCIAL AND BUDGETARY CONTROL

In order to meet the challenging learning experiences provided to the students attending Scotland County Schools, the Board must use a variety of funding resources, including local, State, federal and private grants while complying with legal requirements of each funding source entity. In doing so, the Board is unable to summarize all governmental financial transactions and balances in one accounting entity. Instead, the accounting system is divided into three separate entities; each referred to as a "fund". The Board's funds are divided into governmental, proprietary and fiduciary. Each fund is a self-balancing set

Letter of Transmittal *(continued)*

of accounts, which are segregated for the purpose of carrying on specific activities in accordance with legal requirements, generally accepted accounting principles, special regulations or other limitations. Governmental fund types include general, special revenue and capital projects. The enterprise fund is a proprietary fund type, with the administrative fund being a fiduciary fund type. The enterprise fund and fiduciary fund are presented on a full accrual basis, while the other funds are maintained on a modified accrual basis.

Internal accounting controls are given consideration in developing and improving the Board's accounting system. Internal controls are designed to provide reliability of financial records for preparing financial statements and maintaining accountability for assets and are to provide reasonable assurance regarding the safeguarding of assets from unauthorized use or disposition. We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

North Carolina General Statutes requires all governmental units in the state to adopt a balanced budget by July 1 of each year. The Board has the final approval over the budget and primary accountability for fiscal matters (including any deficits). The Board's annual Budget Resolution authorizes expenditures by purpose on a modified accrual basis. For internal management purposes, the budget is detailed and compared to expenditures and encumbrances by line item within each function and project. The budget amounts reflected in the accompanying financial statements represent the final budgets as amended for the fiscal year. The Board also uses a purchase order encumbrance system that records and shows encumbrances outstanding against each line item of expenditures. Outstanding encumbrances at the end of the fiscal year related to normal operations are considered to be continuing contracts and are transferred at the end of the fiscal year to appropriations in future years.

MAJOR INITIATIVES

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

- Introducing Common Core and Essential Standards to teachers district-wide;
- Providing staff development to improve instruction to levels necessary to meet the new standards;
- Increase technology capabilities in all schools to prepare for online testing;
- Decrease dropout rate;
- Prepare students for ACT;
- Provide necessary remediation for students based on PLAN scores;
- Decrease achievement gaps for all subgroups.

As required by the State Department of Public Instruction, Scotland County Schools maintains a ten-year facilities plan that has been submitted and approved by the County Commissioners and the State Department of Public Instruction. The Board is currently involved in a major building addition at Wagram Primary School. The students at Shaw Elementary will be moved to Wagram Primary School once construction is complete. This will allow the students at the Alternative Learning Academy (East Laurinburg) to be moved to Shaw and facilitate the closing of East Laurinburg, the school district's oldest and most poorly conditioned building.

Letter of Transmittal *(continued)*

ECONOMIC CONDITION AND OUTLOOK

The financial health of the Scotland County Board of Education is largely dependent upon the economic prospects of the State of North Carolina and of the County of Scotland. The State of North Carolina has felt the effects of the nationwide financial crisis since the second half of 2008. For the third year in a row, there has been a required reversion from our State allotment in excess of \$1 million dollars.

The Board of County Commissioners continued to show support for the school system by increasing the 2010-2011 County appropriation. This increase was used primarily to provide instructional and non-instructional support. Unfortunately, it appears that local revenues may not be sufficient to support our future capital needs.

Scotland County has a population of approximately 37,000 with very little growth experienced over the past 5 years. Over the past decade, Scotland County has lost numerous manufacturing jobs. Several of the largest employers, including Abbott Labs, Eaton Corporation and WestPoint Stevens – combined amounting to approximately 4,000 jobs – have ceased operations in Scotland County within the last nine years. Currently, Scotland County Schools and the Scotland Health Care System are the two largest employers in the county.

INDEPENDENT AUDIT

Anderson Smith & Wike PLLC has audited the financial records and transactions of the Scotland County Board of Education for the year ended June 30, 2011. They are a firm of independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the State Single Audit Implementation Act. The auditors' report is included in the financial section of this report.

FINANCIAL REPORTING AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) and the Association of School Business Officials (ASBO) awarded Certificates of Achievement for Excellence in Financial Reporting to the Board for its comprehensive annual financial report for the year ended June 30, 2010. In order to be awarded Certificates of Achievement, the Board published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

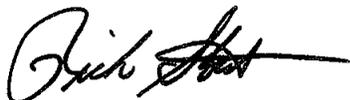
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA and ASBO to determine its eligibility for another certificate.

Letter of Transmittal *(continued)*

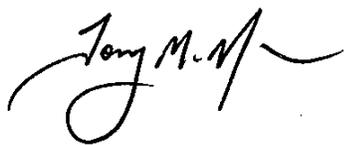
ACKNOWLEDGEMENTS

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

Respectfully submitted,



Rick Stout
Superintendent



Tony M. Messer
Chief Financial Officer



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

July 1, 2010 - June 30, 2011

Board Members

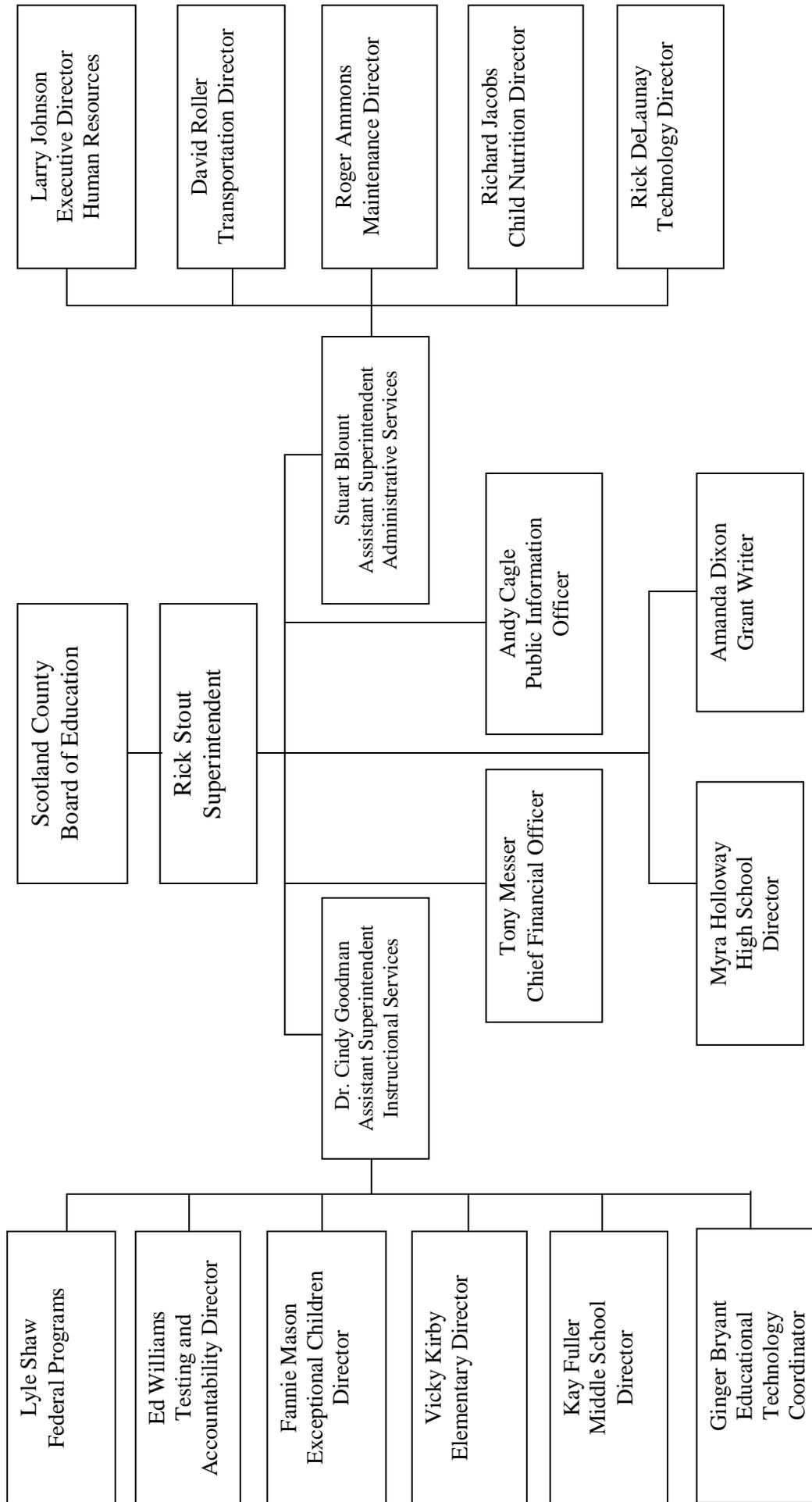
Jimmy Bennett, *Chairman*
Darwin Williams, *Vice-Chairman*

Charles Brown	Dr. Jeff Byrd
Darell "B.J." Gibson	Dr. Paul Rush
James Underwood	Terence Williams

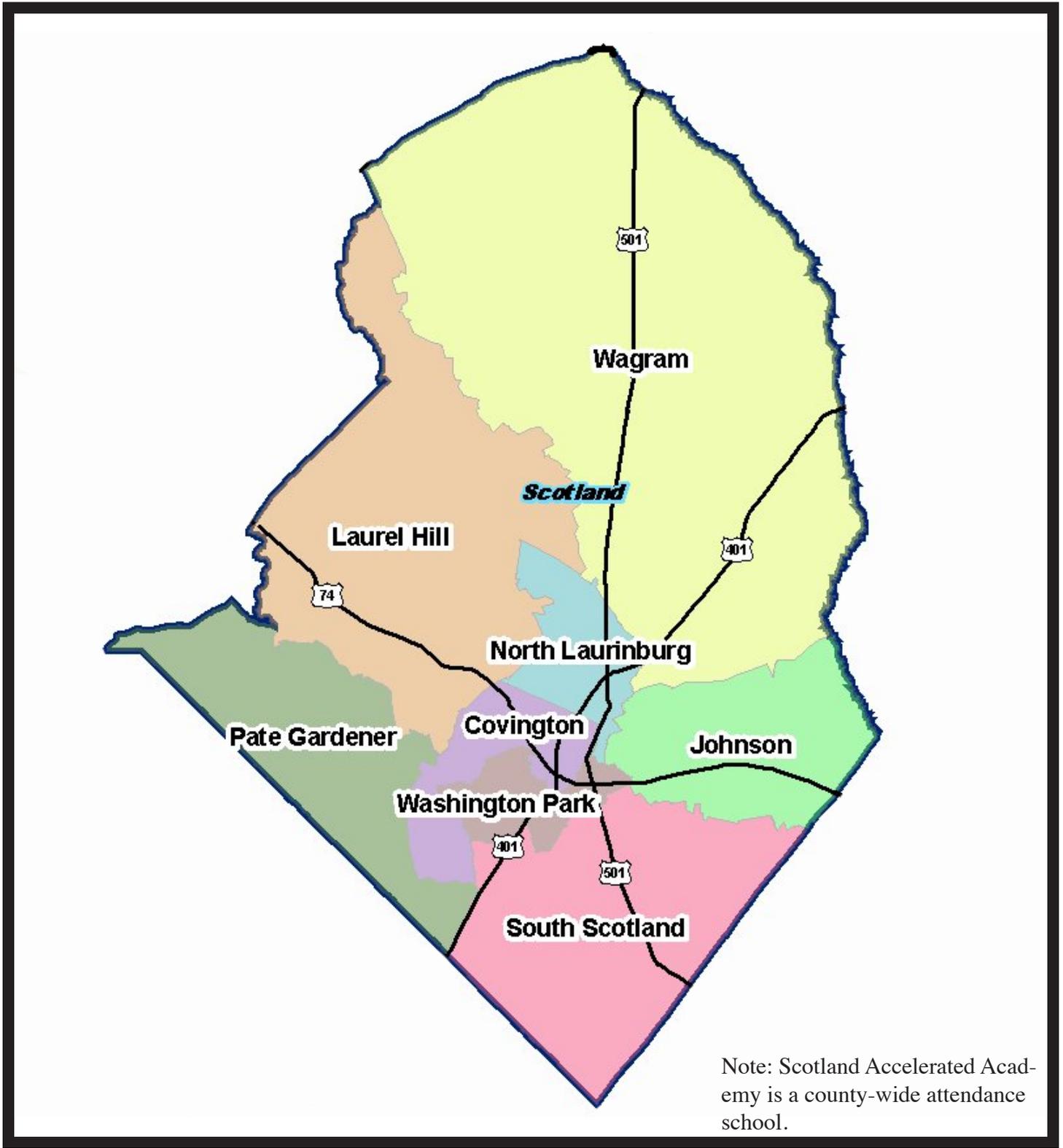
Principal Officers

Rick Stout, *Superintendent*
Stuart Blount, *Assistant Superintendent of Administrative Services*
Dr. Cindy Goodman, *Assistant Superintendent of Instructional Services*
Larry Johnson, *Executive Director of Human Resources*
Tony Messer, *Chief Financial Officer*
Andy Cagle, *Public Information Officer*
Nick Sojka, *General Counsel*

Scotland County School System Organizational Structure 2010-2011

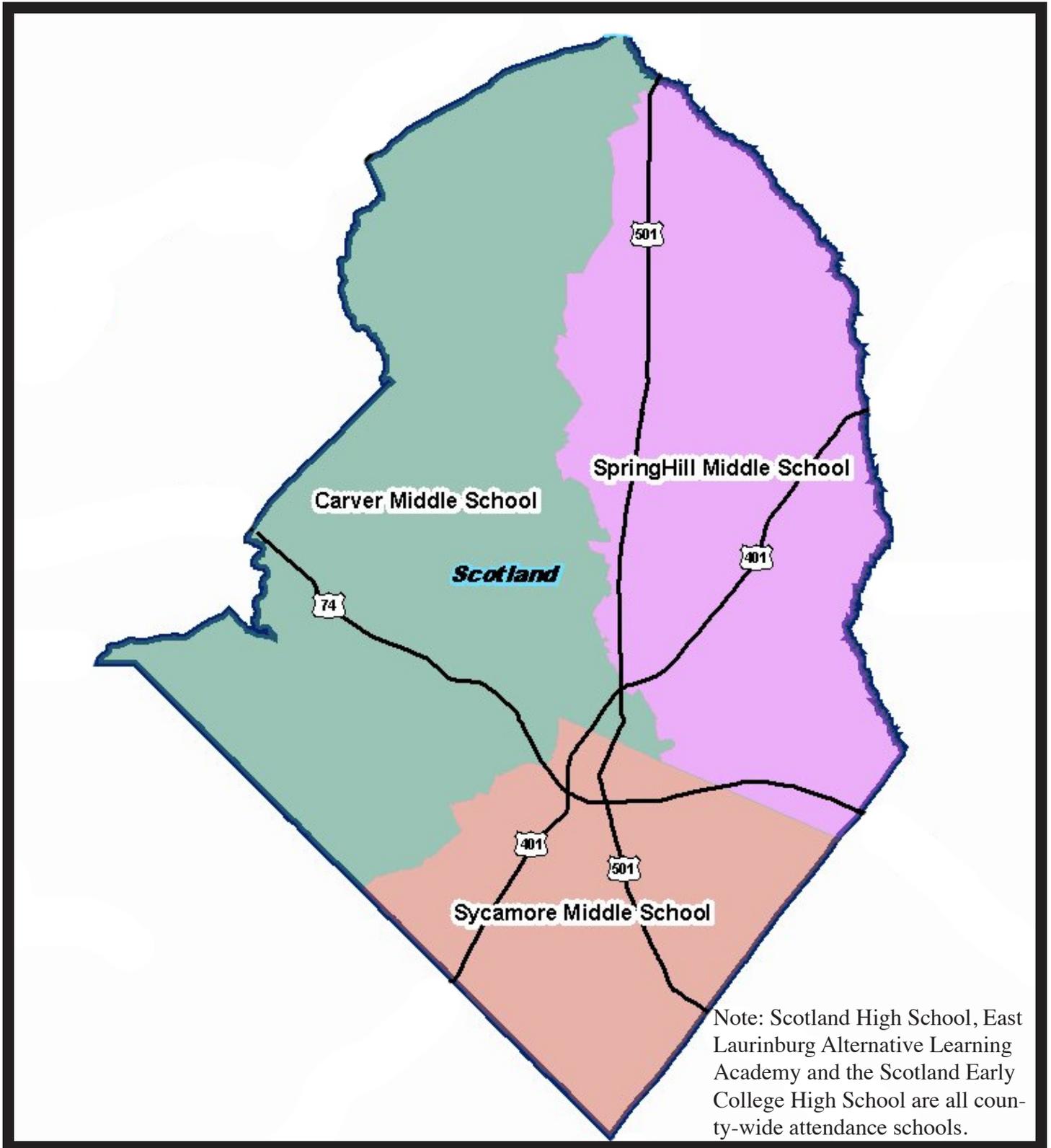


Scotland County Elementary School Attendance Zones



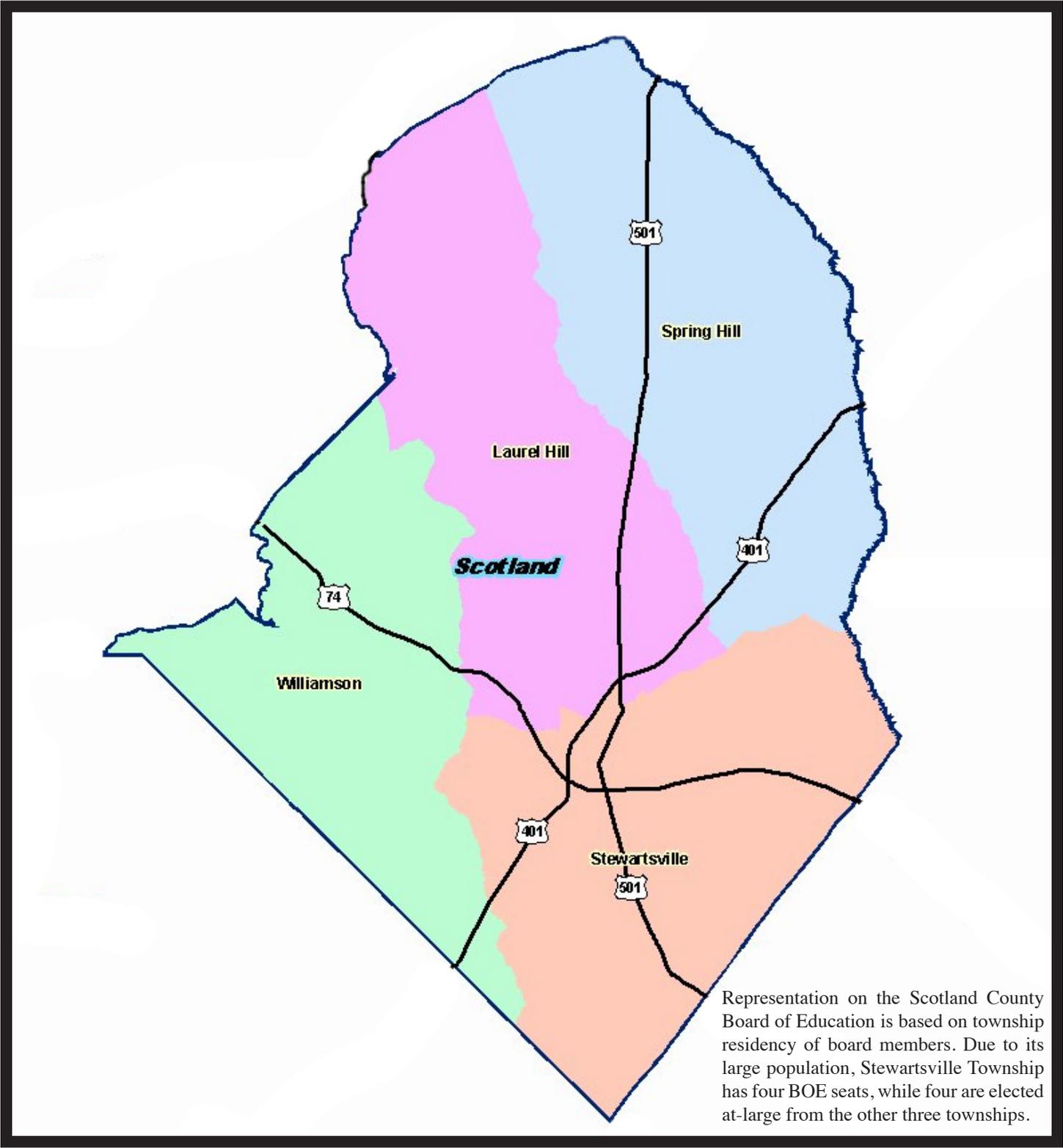
Source: "Scotland County, NC Elementary Attendance Zones." [map] 1:17693. Scotland County GIS [computer files]. Using: Connect GIS, 2010. Cary, NC. Connect 311, LLC, 2009-10.

Scotland County Middle School Attendance Zones



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

Scotland County Townships



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

Certificate of Achievement - GFOA

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Scotland County
Board of Education
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Certificate of Excellence - ASBO



This Certificate of Excellence in Financial Reporting is presented to

SCOTLAND COUNTY BOARD OF EDUCATION

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2010

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director



Financial Section



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, 2011, 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, 2011, 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 19, 2011 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 introductory section, the individual fund budgetary schedules and other schedules, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary schedules and other schedules have 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. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Anderson Smith & Wike PLLC

*October 19, 2011
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, 2011. 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, 2011, the Board's total government-wide net assets increased by \$1.7 million, or 4.4%. Governmental activities net assets increased by \$1.7 million, or 4.5%, and business-type activities net assets decreased by \$7,000, or 0.7%.

- Total government-wide invested in capital assets, net of related debt, increased by \$1.1 million, or 2.9% over the prior year. Governmental activities total invested in capital assets, net of related debt, increased by \$1.1 million, or 3.0%, and business-type activities total invested in capital assets decreased by \$42,000, or 12.9%.
- Total restricted net assets increased by \$668,000, or 206.4%. Restricted net assets are found only in the governmental activities.
- The Board's total government-wide unrestricted net assets at June 30, 2011 decreased by \$62,000 from the prior year. Governmental activities unrestricted net assets decreased by \$99,000 while business-type activities unrestricted net assets increased by \$37,000 over the prior year.

The increase in governmental activities total 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.

Construction has started on 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 2012-2013 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 2010-2011 fiscal year, the Board of Education received a 1.7% decrease 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 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

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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

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

Scotland County Board of Education has three types of funds:

Governmental funds: Most of the Board's basic services are included in the governmental funds, which generally focus on two things – 1) how cash and other assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental fund statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. The Board has several governmental funds: the General Fund, the State Public School Fund, the Individual Schools Fund, the Capital Outlay Fund and the Federal Grants Fund.

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

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Scotland County Board of Education has one proprietary fund - an enterprise fund – the School Food Service Fund.

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

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

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

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

Financial Analysis of the Board as a Whole

Net assets are an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$40.5 million as of June 30, 2011 as compared to \$38.9 million as of June 30, 2010, an increase of \$1.7 million. The largest component of net assets is invested in capital assets, net of related debt of \$38.9 million, which comprises 95.9% 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, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Current assets	\$ 6,636,541	\$ 5,512,008	\$ 956,456	\$ 957,356	\$ 7,592,997	\$ 6,469,364
Capital assets	39,009,382	37,774,734	282,478	324,314	39,291,860	38,099,048
Total assets	<u>45,645,923</u>	<u>43,286,742</u>	<u>1,238,934</u>	<u>1,281,670</u>	<u>46,884,857</u>	<u>44,568,412</u>
Current liabilities	4,697,517	4,449,199	141,093	162,167	4,838,610	4,611,366
Long-term liabilities	1,480,547	1,062,814	24,040	41,342	1,504,587	1,104,156
Total liabilities	<u>6,178,064</u>	<u>5,512,013</u>	<u>165,133</u>	<u>203,509</u>	<u>6,343,197</u>	<u>5,715,522</u>
Invested in capital assets, net of related debt	38,611,421	37,486,907	282,478	324,314	38,893,899	37,811,221
Restricted net assets	991,395	323,558	-	-	991,395	323,558
Unrestricted net assets (deficit)	<u>(134,957)</u>	<u>(35,736)</u>	<u>791,323</u>	<u>753,847</u>	<u>656,366</u>	<u>718,111</u>
Total net assets	<u>\$ 39,467,859</u>	<u>\$ 37,774,729</u>	<u>\$ 1,073,801</u>	<u>\$ 1,078,161</u>	<u>\$ 40,541,660</u>	<u>\$ 38,852,890</u>

The net assets of the Board's governmental activities increased \$1.7 million during the year, from \$37.8 million at June 30, 2010 to \$39.5 million at June 30, 2011, indicating an improvement in the financial condition of the Board. This improvement is mainly attributable to a \$1.1 million increase in net assets invested in capital assets, net of related debt and a \$668,000 increase in restricted net assets. The increase in net assets invested in capital assets, net of related debt is due to an excess of capital additions over depreciation expense for the year.

The net assets of the Board's business-type activities was \$1.1 million at both June 30, 2011 and 2010. 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, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/11	6/30/10	6/30/11	6/30/10	6/30/11	6/30/10
Revenues:						
Program revenues:						
Charges for services	\$ 1,194,428	\$ 1,253,409	\$ 677,169	\$ 715,572	\$ 1,871,597	\$ 1,968,981
Operating grants and contributions	49,505,224	49,036,181	2,999,312	2,962,039	52,504,536	51,998,220
Capital grants and contributions	685,793	462,494	-	36,693	685,793	499,187
General revenues:						
County appropriations	13,535,635	11,551,396	-	-	13,535,635	11,551,396
State appropriations	4,403,960	4,438,305	-	-	4,403,960	4,438,305
Federal appropriations	6,931	7,332	-	-	6,931	7,332
Other revenues	525,367	999,280	3,312	4,966	528,679	1,004,246
Total revenues	<u>69,857,338</u>	<u>67,748,397</u>	<u>3,679,793</u>	<u>3,719,270</u>	<u>73,537,131</u>	<u>71,467,667</u>
Expenses:						
Governmental activities:						
Instructional services	52,617,939	52,572,075	-	-	52,617,939	52,572,075
System-wide support services	15,199,322	13,914,561	-	-	15,199,322	13,914,561
Ancillary services	34,693	56,888	-	-	34,693	56,888
Non-programmed charges	18,213	14,794	-	-	18,213	14,794
Unallocated depreciation	244,679	242,858	-	-	244,679	242,858
Business-type activities:						
School food service	-	-	3,733,515	3,638,656	3,733,515	3,638,656
Total expenses	<u>68,114,846</u>	<u>66,801,176</u>	<u>3,733,515</u>	<u>3,638,656</u>	<u>71,848,361</u>	<u>70,439,832</u>
Excess (deficiency) before transfers	1,742,492	947,221	(53,722)	80,614	1,688,770	1,027,835
Transfers in (out)	(49,362)	(45,000)	49,362	45,000	-	-
Increase(decrease) in net assets	1,693,130	902,221	(4,360)	125,614	1,688,770	1,027,835
Beginning 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>
Ending net assets	<u>\$ 39,467,859</u>	<u>\$ 37,774,729</u>	<u>\$ 1,073,801</u>	<u>\$ 1,078,161</u>	<u>\$ 40,541,660</u>	<u>\$ 38,852,890</u>

Total governmental activities generated revenues of \$69.9 million while expenses in this category totaled \$68.1 million for the year ended June 30, 2011, resulting in the aforementioned increase in net assets of \$1.7 million (including transfers to business-type activities of \$49,000). Comparatively, revenues were \$67.7 million, expenses totaled \$66.8 million and transfers out were \$45,000 for the year ended June 30, 2010, resulting in an increase in net assets of \$902,000. In comparing the two periods, the year-over-year

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

improvement was \$791,000. This improvement is due primarily to increased funding received from the County that was used for the Wagram expansion capital project.

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 60.2%, 19.2% and 16.8% of our total revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 77.3% of our total expenditures during the most recent fiscal year. Of the remaining 22.7% of our total expenditures, 22.3% was attributable to system-wide support services.

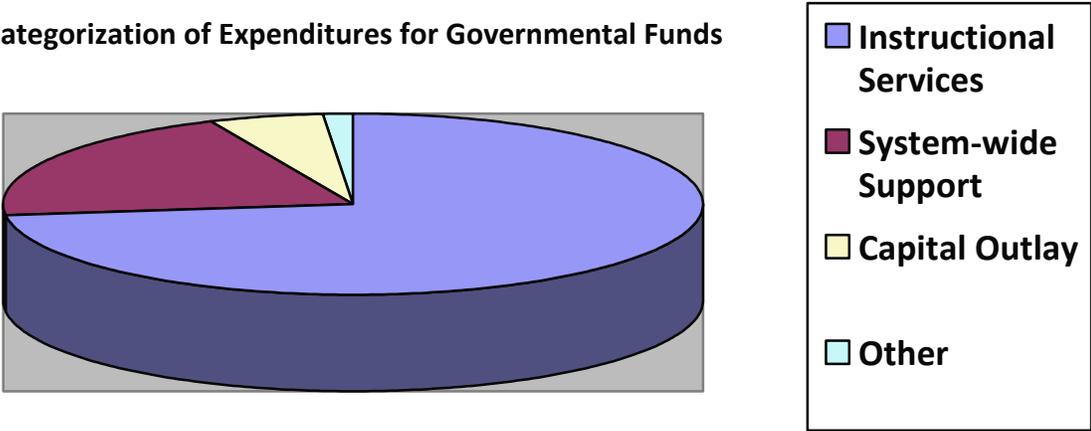
Our business-type activities generated revenues of \$3.7 million, while expenses in this category also totaled \$3.7 million for the year ended June 30, 2011. For the year, net assets decreased by \$4,000 (including transfers in of \$49,000). Comparatively, net assets increased by \$126,000 for the year ended June 30, 2010. In comparing the two years, the year-over-year decline in profitability was \$130,000. This decline was largely due to a \$38,000 decrease in food sales, coupled with increases of \$25,000, \$32,000 and \$26,000, respectively, in food costs, salaries and benefits and indirect costs.

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 \$3.8 million at June 30, 2011, an increase of \$767,000 over the \$3.1 million reported at June 30, 2010. The Board's General Fund reported an increase in fund balance for the year of \$979,000 while the Capital Outlay and Individual Schools funds reported decreases of \$168,000 and \$44,000, respectively. Total governmental funds revenues and expenditures each totaled \$70.4 million for the year while other financing sources (net) totaled \$747,000. These amounts represent increases of \$2.3 million and \$3.9 million, respectively, in revenues and expenditures over the amounts reported for the fiscal year ended June 30, 2010. These increases are primarily attributable to an additional \$2.2 million of funding received from the County in the Capital Outlay Fund that was used for the Wagram expansion project.

Categorization of Expenditures for Governmental Funds



Expenditures presented on modified accrual basis of accounting.

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported a decrease in net assets of \$4,000 for the fiscal year ended June 30, 2011 compared to an increase of \$126,000 for the same 2010 period, a year-over-year decline of \$130,000. See the section above titled *Financial Analysis of the Board as a Whole* for a detailed explanation of the reasons for this decline in profitability.

**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 \$798,000 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 \$979,000. Revenues from Scotland County for the local operating budget decreased \$182,000, or 1.7%, from the prior year. Overall, total General Fund revenues decreased by \$55,000 from the prior year while expenditures increased \$424,000, or 3.2%. The increase in expenditures was primarily for system-wide support services. The increase in system-wide support service expenditures was largely a result of budget cuts from the State for non-instructional support and central office staff. There were also slight increases in utilities, telecommunications and various insurance costs for the current fiscal year.

Capital Assets

Total primary government capital assets were \$39.3 million at June 30, 2011 compared to \$38.1 million at June 30, 2010, an increase of 3.1%. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2011 and 2010. 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, 2011 and 2010**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/10</u>
Land	\$ 467,029	\$ 467,029	\$ -	\$ -	\$ 467,029	\$ 467,029
Construction in progress	2,421,323	154,108	-	-	2,421,323	154,108
Buildings and improvements	33,792,136	34,901,006	-	-	33,792,136	34,901,006
Equipment and furniture	535,998	727,648	282,478	324,314	818,476	1,051,962
Vehicles	1,792,896	1,524,943	-	-	1,792,896	1,524,943
Total	<u>\$ 39,009,382</u>	<u>\$ 37,774,734</u>	<u>\$ 282,478</u>	<u>\$ 324,314</u>	<u>\$ 39,291,860</u>	<u>\$ 38,099,048</u>

Debt Outstanding

During the year, the Board's long-term debt increased by \$110,000 from \$288,000 at June 30, 2010 to \$398,000 at June 30, 2011. 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 2010-2011 student population experienced no significant changes from the previous year.
- During the 2010-2011 fiscal year, the County Commissioners continued to increase their financial support for the school district in terms of issuing debt instruments to finance capital construction. 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, 2011, and will continue to impact our budget for at least another 12 to 18 months. Our State funding was reduced approximately \$712,000 from the prior 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 2012-2013 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 with a focus on protecting instructional program allocations 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, Chief Financial Officer
Scotland County Board of Education
322 South Main Street
Laurinburg, NC 28352

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2011

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 4,031,661	\$ 776,759	\$ 4,808,420
Due from other governments	2,451,176	91,751	2,542,927
Receivables	114,503	-	114,503
Internal balances	39,201	(39,201)	-
Inventories	-	127,147	127,147
Capital assets:			
Land and construction in progress	2,888,352	-	2,888,352
Other capital assets, net of depreciation	36,121,030	282,478	36,403,508
Total capital assets	<u>39,009,382</u>	<u>282,478</u>	<u>39,291,860</u>
 Total assets	 <u>45,645,923</u>	 <u>1,238,934</u>	 <u>46,884,857</u>
Liabilities			
Accounts payable and accrued expenses	519,882	2,147	522,029
Accrued salaries and wages payable	2,275,695	74,474	2,350,169
Unearned revenue	-	11,082	11,082
Long-term liabilities:			
Due within one year	1,901,940	53,390	1,955,330
Due in more than one year	<u>1,480,547</u>	<u>24,040</u>	<u>1,504,587</u>
 Total liabilities	 <u>6,178,064</u>	 <u>165,133</u>	 <u>6,343,197</u>
Net assets			
Invested in capital assets, net of related debt	38,611,421	282,478	38,893,899
Restricted for:			
Stabilization by State statute	227,502	-	227,502
School capital outlay	484,495	-	484,495
Individual schools activities	279,398	-	279,398
Unrestricted (deficit)	<u>(134,957)</u>	<u>791,323</u>	<u>656,366</u>
 Total net assets	 <u>\$ 39,467,859</u>	 <u>\$ 1,073,801</u>	 <u>\$ 40,541,660</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

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	\$ 3,250,134	\$ -	\$ -	\$ 483,776	\$ 297,751	\$ 4,031,661
Due from other governments	57,796	1,659,277	421,135	312,968	-	2,451,176
Accounts receivable	112,152	-	-	2,351	-	114,503
Due from other funds	57,554	-	-	-	-	57,554
Total assets	\$ 3,477,636	\$ 1,659,277	\$ 421,135	\$ 799,095	\$ 297,751	\$ 6,654,894
Liabilities and Fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 205,282	\$ -	\$ -	\$ 314,600	\$ -	\$ 519,882
Accrued salaries and wages payable	195,283	1,659,277	421,135	-	-	2,275,695
Due to other funds	-	-	-	-	18,353	18,353
Total liabilities	400,565	1,659,277	421,135	314,600	18,353	2,813,930
Fund balances:						
Restricted:						
Stabilization by State statute	227,502	-	-	-	-	227,502
School capital outlay	-	-	-	484,495	-	484,495
Individual schools	-	-	-	-	279,398	279,398
Assigned:						
Subsequent year's expenditures	1,950,000	-	-	-	-	1,950,000
Unassigned	899,569	-	-	-	-	899,569
Total fund balances	3,077,071	-	-	484,495	279,398	3,840,964
Total liabilities and fund balances	\$ 3,477,636	\$ 1,659,277	\$ 421,135	\$ 799,095	\$ 297,751	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	39,009,382
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.	<u>(3,382,487)</u>
Net assets of governmental activities	<u>\$ 39,467,859</u>

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, 2011

Exhibit 4

	Major Funds				Non-major Fund	Total
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Governmental Funds
State of North Carolina	\$ 1,634,707	\$ 39,382,048	\$ -	\$ 1,345,246	\$ -	\$ 42,362,001
Scotland County	10,688,920	-	-	2,846,715	-	13,535,635
U.S. Government	763,203	-	11,060,519	-	-	11,823,722
Other	1,405,277	-	-	125,163	1,132,331	2,662,771
Total revenues	<u>14,492,107</u>	<u>39,382,048</u>	<u>11,060,519</u>	<u>4,317,124</u>	<u>1,132,331</u>	<u>70,384,129</u>
Expenditures:						
Current:						
Instructional services:						
Regular instructional	2,789,656	22,022,908	2,610,776	47,140	-	27,470,480
Special populations	372,093	5,238,431	1,342,077	-	-	6,952,601
Alternative programs	1,680,559	2,011,762	3,736,924	-	-	7,429,245
School leadership	822,068	1,777,286	-	-	-	2,599,354
Co-curricular	293,901	-	1,309,479	-	1,176,491	2,779,871
School-based support	1,145,909	2,775,395	235,355	-	-	4,156,659
System-wide support services:						
Support and development	390,096	264,536	70,030	-	-	724,662
Special population support and development	179,774	19,435	753,384	-	-	952,593
Alternative programs and services support and development	68,513	14,015	204,748	-	-	287,276
Technology support	135,112	515,945	200,437	-	-	851,494
Operational support	4,560,271	3,527,163	219,339	850,511	-	9,157,284
Financial and human resource services	346,864	577,225	142,429	-	-	1,066,518
Accountability	20,901	157,887	-	-	-	178,788
System-wide pupil support	-	57,798	-	-	-	57,798
Policy, leadership and public relations	640,576	389,080	-	-	-	1,029,656
Ancillary services	32,478	-	2,215	-	-	34,693
Non-programmed charges	18,213	-	233,326	-	-	251,539
Debt service:						
Principal retirement	-	-	-	685,793	-	685,793
Capital outlay	-	-	-	3,697,241	-	3,697,241
Total expenditures	<u>13,496,984</u>	<u>39,348,866</u>	<u>11,060,519</u>	<u>5,280,685</u>	<u>1,176,491</u>	<u>70,363,545</u>
Revenues over (under) expenditures	995,123	33,182	-	(963,561)	(44,160)	20,584
Other financing sources (uses):						
Transfers to other funds	(16,180)	(33,182)	-	-	-	(49,362)
Installment purchase obligations issued	-	-	-	795,927	-	795,927
Total other financing sources (uses)	<u>(16,180)</u>	<u>(33,182)</u>	<u>-</u>	<u>795,927</u>	<u>-</u>	<u>746,565</u>
Net change in fund balance	978,943	-	-	(167,634)	(44,160)	767,149
Fund balances:						
Beginning of year	<u>2,098,128</u>	<u>-</u>	<u>-</u>	<u>652,129</u>	<u>323,558</u>	<u>3,073,815</u>
End of year	<u>\$ 3,077,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 484,495</u>	<u>\$ 279,398</u>	<u>\$ 3,840,964</u>

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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, 2011

Exhibit 5

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

Net changes in fund balances - total governmental funds \$ 767,149

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 1,234,648

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. (110,134)

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 (198,533)

Total changes in net assets of governmental activities \$ 1,693,130

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, 2011

Exhibit 6

	General Fund			Variance with final budget Over (Under)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 1,470,860	\$ 1,645,806	\$ 1,634,707	\$ (11,099)
Scotland County	10,872,759	10,683,959	10,688,920	4,961
U.S. Government	531,285	782,595	763,203	(19,392)
Other	675,004	1,235,075	1,405,277	170,202
Total revenues	<u>13,549,908</u>	<u>14,347,435</u>	<u>14,492,107</u>	<u>144,672</u>
Expenditures:				
Current:				
Instructional services	7,454,191	8,036,171	7,104,186	931,985
System-wide support services	6,519,400	6,668,489	6,342,107	326,382
Ancillary services	-	33,000	32,478	522
Non-programmed charges	9,758	27,036	18,213	8,823
Total expenditures	<u>13,983,349</u>	<u>14,764,696</u>	<u>13,496,984</u>	<u>1,267,712</u>
Revenues over (under) expenditures	(433,441)	(417,261)	995,123	1,412,384
Other financing uses:				
Transfers to other funds	-	(16,180)	(16,180)	-
Fund balance appropriated	<u>433,441</u>	<u>433,441</u>	-	<u>(433,441)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	978,943	<u>\$ 978,943</u>
Fund balances:				
Beginning of year			<u>2,098,128</u>	
End of year			<u>\$ 3,077,071</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, 2011

	State Public School Fund			Variance with final budget Over (Under)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 37,499,237	\$ 39,706,102	\$ 39,382,048	\$ (324,054)
Scotland County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>37,499,237</u>	<u>39,706,102</u>	<u>39,382,048</u>	<u>(324,054)</u>
Expenditures:				
Current:				
Instructional services	32,936,887	33,841,840	33,825,782	16,058
System-wide support services	4,517,350	5,819,262	5,523,084	296,178
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>37,454,237</u>	<u>39,661,102</u>	<u>39,348,866</u>	<u>312,236</u>
Revenues over (under) expenditures	45,000	45,000	33,182	(11,818)
Other financing uses:				
Transfers to other funds	(45,000)	(45,000)	(33,182)	11,818
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, 2011

	Federal Grants Fund			Variance with final budget Over (Under)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Scotland County	-	-	-	-
U.S. Government	9,390,961	13,832,310	11,060,519	(2,771,791)
Other	-	-	-	-
Total revenues	<u>9,390,961</u>	<u>13,832,310</u>	<u>11,060,519</u>	<u>(2,771,791)</u>
Expenditures:				
Current:				
Instructional services	7,828,715	9,945,023	9,234,611	710,412
System-wide support services	1,526,400	1,973,761	1,590,367	383,394
Ancillary services	-	2,296	2,215	81
Nonprogrammed charges	35,846	1,911,230	233,326	1,677,904
Total expenditures	<u>9,390,961</u>	<u>13,832,310</u>	<u>11,060,519</u>	<u>2,771,791</u>
Revenues over (under) expenditures	-	-	-	-
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances:				
Beginning of year			-	
End of year			<u>\$ -</u>	

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
June 30, 2011

Exhibit 7

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 776,759
Due from other governments	91,751
Inventories	<u>127,147</u>
Total current assets	<u>995,657</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>282,478</u>
Total assets	<u>1,278,135</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	2,147
Accrued salaries and wages payable	74,474
Due to other funds	39,201
Compensated absences	53,390
Unearned revenue	<u>11,082</u>
Total current liabilities	<u>180,294</u>
Noncurrent liabilities:	
Compensated absences	<u>24,040</u>
Total liabilities	<u>204,334</u>
Net assets	
Invested in capital assets	282,478
Unrestricted	<u>791,323</u>
Total net assets	<u>\$ 1,073,801</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, 2011

Exhibit 8

	<u>Enterprise Fund</u> <u>Major Fund</u> <u>School Food</u> <u>Service</u>
Operating revenues:	
Food sales	\$ <u>677,169</u>
Operating expenses:	
Food cost:	
Purchase of food	1,040,334
Donated commodities	222,111
Salaries and benefits	1,896,213
Indirect costs	293,465
Materials and supplies	99,289
Repairs and maintenance	23,242
Depreciation	49,202
Non-capitalized equipment	2,316
Contracted services	56,959
Loss on disposal of capital assets	2,943
Other	<u>47,441</u>
Total operating expenses	<u>3,733,515</u>
Operating loss	<u>(3,056,346)</u>
Nonoperating revenues:	
Federal reimbursements	2,768,697
Federal commodities	222,111
State reimbursements	8,504
Interest earned	<u>3,312</u>
Total nonoperating revenues	<u>3,002,624</u>
Loss before transfers	(53,722)
Transfers from other funds	<u>49,362</u>
Change in net assets	(4,360)
Net assets, beginning of year	<u>1,078,161</u>
Net assets, end of year	<u>\$ <u>1,073,801</u></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, 2011

Exhibit 9

	Enterprise Fund
	<u>Major Fund</u>
	<u>School Food Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 681,090
Cash paid for goods and services	(1,611,076)
Cash paid to employees for services	(1,862,888)
Net cash used by operating activities	<u>(2,792,874)</u>
Cash flows from noncapital financing activities:	
Due to other funds	(120,713)
Federal and State reimbursements	<u>2,781,343</u>
Net cash provided by noncapital financing activities	<u>2,660,630</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(10,587)
Proceeds from sale of capital assets	<u>278</u>
Net cash used by capital and related financing activities	<u>(10,309)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>3,312</u>
Net decrease in cash and cash equivalents	(139,241)
Cash and cash equivalents, beginning of year	<u>916,000</u>
Cash and cash equivalents, end of year	<u>\$ 776,759</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (3,056,346)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	49,202
Donated commodities	222,111
Loss on disposal of capital assets	2,943
Salaries paid by other funds	49,362
Changes in assets and liabilities:	
Decrease in accounts receivable	684
Increase in inventories	(22,454)
Decrease in accounts payable and accrued liabilities	(25,576)
Increase in accrued salaries and wages payable	3,190
Increase in unearned revenue	3,237
Decrease in compensated absences payable	<u>(19,227)</u>
Total adjustments	<u>263,472</u>
Net cash used by operating activities	<u>\$ (2,792,874)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$222,111 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 and the General Fund paid salaries and benefits of \$33,182 and \$16,180, respectively, to administrative personnel of the School Food Service Fund during the fiscal year. The payments are reflected as an operating transfer in and an operating expense 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, 2011

Exhibit 10

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ <u>217,474</u>
Liabilities	
Accounts payable and accrued liabilities	\$ <u>-</u>
Net assets	
Assets held in trust for private purpose	\$ <u><u>217,474</u></u>

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2011

Exhibit 11

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions and other revenue	\$ 2,510
Deductions:	
Instructional costs	<u>6,500</u>
Change in net assets	(3,990)
Beginning net assets	<u>221,464</u>
Ending net assets	<u>\$ 217,474</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, 2011

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.

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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

The Board reports the following nonmajor governmental fund:

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 administrative fiduciary fund and the individual schools special

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

revenue funds, as required by the North Carolina General Statutes. No budget is required by State law for individual school funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the purpose level for all annually budgeted funds. The Board has authorized the Superintendent to transfer amounts within a purpose code within a fund with proper justification. The Superintendent may not transfer any amounts between funds or from any contingency appropriation within a fund. Amendments are required for any revisions that alter total expenditures of any fund or that change purpose appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, 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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

remaining useful lives of the related capital assets. Certain items acquired before July 1, 1990 are recorded at an estimated original historical cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

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

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

	<u>Years</u>
Buildings and improvements	15 - 50
Equipment and furniture	3 - 10
Vehicles	6

Depreciation for 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, 2011 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

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.

Fund Balances

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

The governmental fund types classify fund balances as follows:

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

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

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

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

Assigned fund balance – portion of fund balance that the Board of Education intends to use for specific purposes.

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

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Board of Education has a management policy for revenue spending that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

8. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The net adjustment of \$35,626,895 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)	\$ 67,111,287
Less accumulated depreciation	<u>(28,101,905)</u>
Net capital assets	39,009,382
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	(397,961)
Compensated absences	<u>(2,984,526)</u>
Total adjustment	<u>\$ 35,626,895</u>

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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 \$925,981 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	\$ 3,080,030
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	(1,845,382)
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	685,793
New debt issued during the year is recorded as a source of funds on the fund Statements; it has no effect on the statement of activities – it only affects the Government-wide statement of net assets	(795,927)
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>(198,533)</u>
Total adjustment	<u>\$ 925,981</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.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

At June 30, 2011, the Board had deposits with banks and savings and loans with a carrying amount of \$1,370,682 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$1,641,655 and \$252,213, respectively. Of these balances, \$555,543 was covered by federal depository insurance and \$1,338,325 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2011, the Board had \$3,655,212 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.9 years at June 30, 2011. 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, 2011 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 57,554	\$ 57,796	\$ 112,152	\$ 227,502
Other governmental activities	(18,353)	2,393,380	2,351	2,377,378
Total governmental activities	<u>\$ 39,201</u>	<u>\$ 2,451,176</u>	<u>\$ 114,503</u>	<u>\$ 2,604,880</u>
Business-type activities:				
School Food Service Fund	<u>\$ (39,201)</u>	<u>\$ 91,751</u>	<u>\$ -</u>	<u>\$ 52,550</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 57,796	State and Federal grant funds
State Public School Fund	1,659,277	Operating funds from DPI
Federal Grants Fund	421,135	Federal grant funds
Capital Outlay Fund	<u>312,968</u>	Amounts due from County
Total	<u>\$ 2,451,176</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 91,751</u>	Federal funds

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

4. Capital Assets

Capital asset activity for the year ended June 30, 2011 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	2,267,215	-	2,421,323
Total capital assets not being depreciated	<u>621,137</u>	<u>2,267,215</u>	<u>-</u>	<u>2,888,352</u>
Capital assets being depreciated:				
Buildings and improvements	54,096,879	12,700	-	54,109,579
Equipment and furniture	2,158,801	53,029	6,681	2,205,149
Vehicles	7,205,928	747,086	44,807	7,908,207
Total capital assets being depreciated	<u>63,461,608</u>	<u>812,815</u>	<u>51,488</u>	<u>64,222,935</u>
Less accumulated depreciation for:				
Buildings and improvements	19,195,873	1,121,570	-	20,317,443
Equipment and furniture	1,431,153	244,679	6,681	1,669,151
Vehicles	5,680,985	479,133	44,807	6,115,311
Total accumulated depreciation	<u>26,308,011</u>	<u>1,845,382</u>	<u>51,488</u>	<u>28,101,905</u>
Total capital assets being depreciated, net	<u>37,153,597</u>			<u>36,121,030</u>
Governmental activity capital assets, net	<u>\$ 37,774,734</u>			<u>\$ 39,009,382</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	\$ 1,116,739	\$ 10,587	\$ 61,556	\$ 1,065,770
Less accumulated depreciation for:				
Equipment, furniture and vehicles	792,425	49,202	58,335	783,292
School Food Service capital assets, net	<u>\$ 324,314</u>			<u>\$ 282,478</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,121,570
System-wide support services	479,133
Unallocated depreciation	<u>244,679</u>
Total	<u>\$ 1,845,382</u>

**SCOTLAND COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2011**

5. Construction and Other Significant Commitments

As of June 30, 2011, the Board had construction projects in progress related to classroom expansion at Wagram Primary. At year-end, the Board had commitments with contractors for these projects as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Wagram Primary expansion	\$ <u>2,122,262</u>	\$ <u>818,738</u>

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 4.93% 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, 2011, 2010, and 2009 were \$1,985,544, \$1,449,597, and \$1,524,638, 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.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

Funding Policy. The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establish premium rates except as may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on and after October 1, 2006 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. For employees hired before October 1, 2006, 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, 2011, 2010, and 2009, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,973,461, \$1,827,224, and \$1,860,422, respectively. These contributions represented 4.90%, 4.50%, 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 eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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, 2011, 2010, and 2009, the Board paid all annual required contributions to the DIPNC for disability benefits of \$209,429, \$211,146, and \$235,956, respectively. These contributions represented 0.52% of covered payroll for each of the three fiscal years.

2. Accounts Payable

Accounts payable as of June 30, 2011 are as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 205,282	\$ 195,283	\$ 400,565
Other governmental activities	<u>314,600</u>	<u>2,080,412</u>	<u>2,395,012</u>
Total governmental activities	<u>\$ 519,882</u>	<u>\$ 2,275,695</u>	<u>\$ 2,795,577</u>
Business-type activities:			
School Food Service Fund	<u>\$ 2,147</u>	<u>\$ 74,474</u>	<u>\$ 76,621</u>

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

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) \$ 11,082

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.

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. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During the 2010-2011 fiscal year,

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2011

the Board entered into such a financing contract for the purchase of school buses. The financing contract requires four equal principal-only payments of \$198,980 with the first payment due within 10 days of receipt of the buses and the following 3 payments due on the next 3 immediately following November 15th dates.

The future minimum payments of the installment purchases as of June 30, 2011 are as follows:

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2012	\$ 198,980
2013	<u>198,981</u>
Totals	<u>\$ 397,961</u>

b. Long-Term Obligation Activity

The following is a summary of changes in the Board's long-term obligations for the fiscal year ended June 30, 2011:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 287,827	\$ 795,927	\$ 685,793	\$ 397,961	\$ 198,980
Compensated absences	<u>2,785,993</u>	<u>2,502,037</u>	<u>2,303,504</u>	<u>2,984,526</u>	<u>1,702,960</u>
Total governmental activities	<u>\$ 3,073,820</u>	<u>\$ 3,297,964</u>	<u>\$ 2,989,297</u>	<u>\$ 3,382,487</u>	<u>\$ 1,901,940</u>
Business-type activities:					
Compensated absences	<u>\$ 96,657</u>	<u>\$ 72,371</u>	<u>\$ 91,598</u>	<u>\$ 77,430</u>	<u>\$ 53,390</u>

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

C. Interfund Balances and Activity

1. Transfers to/from other Funds

Transfers to/from other funds at June 30, 2011 consist of the following:

From the State Public School Fund to the School Food Service Fund for administrative costs	<u>\$ 33,182</u>
From the General Fund to the School Food Service Fund for administrative costs	<u>\$ 16,180</u>

**SCOTLAND COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2011**

2. Interfund Balances

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 39,201
General Fund	Individual Schools Fund	<u>18,353</u>
		<u>\$ 57,554</u>

The amount due to the General Fund from the School Food Service Fund is for indirect cost owed for the 2010 – 2011 fiscal year. The Individual Schools Fund owes the General Fund \$18,353 for operating expenditures paid on behalf of the Individual Schools Fund. These amounts are expected to be paid prior to June 30, 2012.

D. Fund Balance

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

Total fund balance - General Fund	\$ 3,077,071
Less:	
Stabilization by State statute	(227,502)
Appropriated Fund Balance in 2012 budget	<u>(1,950,000)</u>
Remaining fund balance	<u>\$ 899,569</u>

NOTE 3 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Over (Under)
Revenues:			
State of North Carolina:			
More at Four Grant	\$ 1,470,860	\$ 1,459,707	\$ (11,153)
Other	174,946	175,000	54
Total State of North Carolina	<u>1,645,806</u>	<u>1,634,707</u>	<u>(11,099)</u>
Scotland County:			
County appropriation	<u>10,683,959</u>	<u>10,688,920</u>	<u>4,961</u>
U.S. Government:			
Impact Aid	6,950	6,931	(19)
Indian Education	176,157	166,382	(9,775)
Workforce Investment Act	245,906	231,665	(14,241)
ROTC	59,584	65,048	5,464
Energy Efficiency Block Grant	172,331	171,510	(821)
Other	<u>121,667</u>	<u>121,667</u>	<u>-</u>
U.S. Government	<u>782,595</u>	<u>763,203</u>	<u>(19,392)</u>
Other:			
Fines and forfeitures	188,800	188,800	-
Interest earned on investment	25,000	37,182	12,182
Indirect costs allocated	426,850	534,999	108,149
Contributions and donations	59,989	59,989	-
Rental of school property	64,800	62,097	(2,703)
Medicaid reimbursement program	275,016	325,638	50,622
School nurse reimbursement	100,000	90,547	(9,453)
Other refunds and reimbursements	39,007	38,554	(453)
Miscellaneous	<u>55,613</u>	<u>67,471</u>	<u>11,858</u>
Total other	<u>1,235,075</u>	<u>1,405,277</u>	<u>170,202</u>
Total revenues	<u>14,347,435</u>	<u>14,492,107</u>	<u>144,672</u>
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	2,789,656	-
Special populations	-	372,093	-
Alternative programs	-	1,680,559	-
School leadership	-	822,068	-
Co-curricular	-	293,901	-
School-based support	-	1,145,909	-
Total instructional services	<u>8,036,171</u>	<u>7,104,186</u>	<u>931,985</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, 2011

	Final Budget	Actual	Variance Over (Under)
Expenditures: (Continued)			
Current:			
System-wide support services:			
Support and development	-	390,096	-
Special population support and development	-	179,774	-
Alternative programs and services support and development	-	68,513	-
Technology support	-	135,112	-
Operational support	-	4,560,271	-
Financial and human resource services	-	346,864	-
Accountability	-	20,901	-
Policy, leadership and public relations	-	640,576	-
Total system-wide support services	<u>6,668,489</u>	<u>6,342,107</u>	<u>326,382</u>
Ancillary services:			
Nutrition	<u>33,000</u>	<u>32,478</u>	<u>522</u>
Non-programmed charges			
Payments to other governments	19,266	18,213	1,053
Unbudgeted funds	<u>7,770</u>	<u>-</u>	<u>7,770</u>
Total non-programmed charges	<u>27,036</u>	<u>18,213</u>	<u>8,823</u>
Total expenditures	<u>14,764,696</u>	<u>13,496,984</u>	<u>1,267,712</u>
Revenues over (under) expenditures	(417,261)	995,123	1,412,384
Other financing uses:			
Transfers to other funds	(16,180)	(16,180)	-
Fund balance appropriated	<u>433,441</u>	<u>-</u>	<u>(433,441)</u>
Net change in fund balance	<u>\$ -</u>	978,943	<u>\$ 978,943</u>
Fund balance:			
Beginning of year		<u>2,098,128</u>	
End of year		<u>\$ 3,077,071</u>	

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
INDIVIDUAL SCHOOLS FUND
For the Fiscal Year Ended June 30, 2011

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net change in fund balance</u>	<u>Fund balances June 30, 2010</u>	<u>Fund balances June 30, 2011</u>
Scotland High	\$ 503,424	\$ 513,586	\$ (10,162)	\$ 140,550	\$ 130,388
Carver Middle	92,532	94,746	(2,214)	35,650	33,436
Spring Hill Middle	120,188	123,435	(3,247)	10,696	7,449
Sycamore Lane Middle	88,648	94,226	(5,578)	13,448	7,870
Shaw Elementary	15,845	19,649	(3,804)	4,706	902
I. Ellis Johnson Elementary	20,804	24,788	(3,984)	5,744	1,760
Covington Street Primary	67,563	65,229	2,334	5,404	7,738
Laurel Hill Elementary	50,750	55,980	(5,230)	35,744	30,514
North Laurinburg Elementary	51,715	53,967	(2,252)	4,351	2,099
Pate-Gardner Elementary	7,681	9,570	(1,889)	7,963	6,074
South Scotland Elementary	30,387	30,949	(562)	27,897	27,335
Wagram Elementary	11,865	13,720	(1,855)	6,142	4,287
Washington Park Elementary	39,552	41,925	(2,373)	17,150	14,777
East Laurinburg Academy	594	438	156	(2)	154
Scotland Accelerated Academy	20,290	23,877	(3,587)	6,207	2,620
Scotland Early College	<u>10,493</u>	<u>10,406</u>	<u>87</u>	<u>1,908</u>	<u>1,995</u>
Totals	<u>\$ 1,132,331</u>	<u>\$ 1,176,491</u>	<u>\$ (44,160)</u>	<u>\$ 323,558</u>	<u>\$ 279,398</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, 2011

	Final Budget	Actual	Variance Over (Under)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 685,792	\$ 685,793	\$ 1
Public School Capital Fund - Lottery	509,000	659,453	150,453
Total State of North Carolina	1,194,792	1,345,246	150,454
Scotland County:			
Bond proceeds	2,267,215	2,267,215	-
County appropriations	580,000	579,500	-
Total Scotland County	2,847,215	2,846,715	(500)
Other:			
Fines and forfeitures	164,000	101,476	(62,524)
Interest earned on investments	35	38	3
Insurance proceeds	3,103	5,376	2,273
Miscellaneous	16,812	18,273	1,461
Total other	183,950	125,163	(58,787)
Total revenues	4,225,957	4,317,124	91,167
Expenditures:			
Current:			
Instructional services:			
Regular instructional	52,566	47,140	5,426
System-wide support services:			
Operational support	850,511	850,511	-
Debt service:			
Principal retirement	685,793	685,793	-
Capital outlay	3,711,780	3,697,241	14,539
Total expenditures	5,300,650	5,280,685	19,965
Revenues under expenditures	(1,074,693)	(963,561)	111,132
Other financing sources:			
Installment purchase obligations issued	795,927	795,927	-
Fund balance appropriated	278,766	-	(278,766)
Net change in fund balance	\$ -	(167,634)	\$ (167,634)
Fund balance:			
Beginning of year		652,129	
End of year		\$ 484,495	

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, 2011

	Final Budget	Actual	Variance Over (Under)
Operating revenues - food sales	\$ 635,900	\$ 677,169	\$ 41,269
Operating expenditures:			
Business support services:			
Purchase of food	-	1,062,788	-
Donated commodities	-	222,111	-
Salaries and benefits	-	1,915,440	-
Indirect costs	-	293,465	-
Materials and supplies	-	99,289	-
Repairs and maintenance	-	23,242	-
Non-capitalized equipment	-	2,316	-
Contracted services	-	56,959	-
Other	-	47,441	-
Capital outlay	-	10,587	-
Total operating expenditures	<u>3,635,900</u>	<u>3,733,638</u>	<u>(97,738)</u>
Operating loss	<u>(3,000,000)</u>	<u>(3,056,469)</u>	<u>(56,469)</u>
Nonoperating revenues:			
Federal reimbursements	2,720,000	2,768,697	48,697
Federal commodities	275,000	222,111	(52,889)
State reimbursements	-	8,504	8,504
Interest earned	<u>5,000</u>	<u>3,312</u>	<u>(1,688)</u>
Total nonoperating revenues	<u>3,000,000</u>	<u>3,002,624</u>	<u>2,624</u>
Excess (deficiency) of revenues over expenditures before other financing sources	-	(53,845)	(53,845)
Other financing sources:			
Transfers from other funds	-	<u>49,362</u>	<u>49,362</u>
Net change in fund balance	<u>\$ -</u>	<u>(4,483)</u>	<u>\$ (4,483)</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(49,202)	
Equipment purchases		10,587	
Loss on disposal of capital assets		(2,943)	
Decrease in compensated absences payable		19,227	
Increase in inventories		<u>22,454</u>	
Change in net assets (full accrual)		<u>\$ (4,360)</u>	



Statistical Section

STATISTICAL SECTION **(Unaudited)**

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

Sections

Financial Trends

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

Revenue Capacity

Since the District's local revenues are primarily provided by Scotland County, these schedules on the county's revenue sources are relevant to an understanding of Scotland County's most significant local revenue source, the property tax.

Debt Capacity

Since the District has no tax-levying or debt-issuing authority, the County of Scotland provides significant funding to the school system. Selected fiscal data from the County of Scotland has been included to help the reader better understand the school system and its financial operations.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. County information is included.

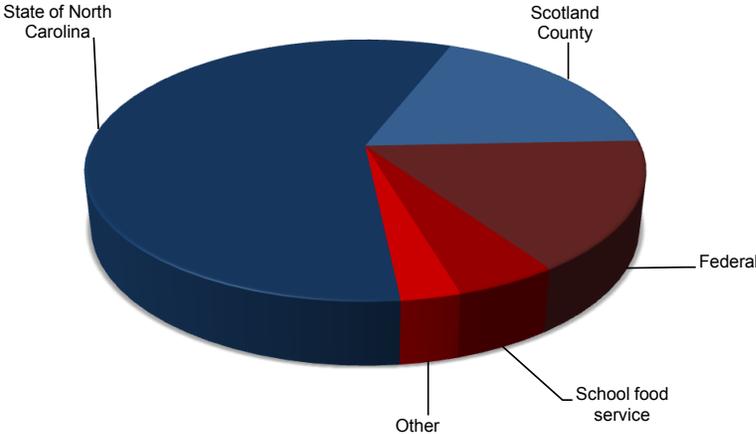
Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.



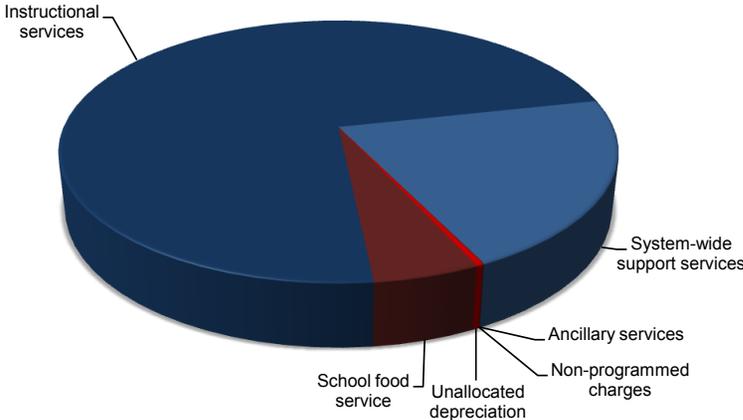
SCOTLAND COUNTY BOARD OF EDUCATION
Financial Perspective
Governmental and Business-type Activities
For Year Ended June 30, 2011

Revenue Sources



State of North Carolina	\$ 42,362,001
Scotland County	13,535,635
Federal	11,823,722
School food service	3,679,793
Other	2,135,980
<hr/>	
Total revenue sources	<u>\$ 73,537,131</u>

Expenses



Instructional services	\$ 52,617,939
System-wide support services	15,199,322
Ancillary services	34,693
Non-programmed charges	18,213
Unallocated depreciation	244,679
School food service	3,733,515
<hr/>	
Total expenses	<u>\$ 71,848,361</u>

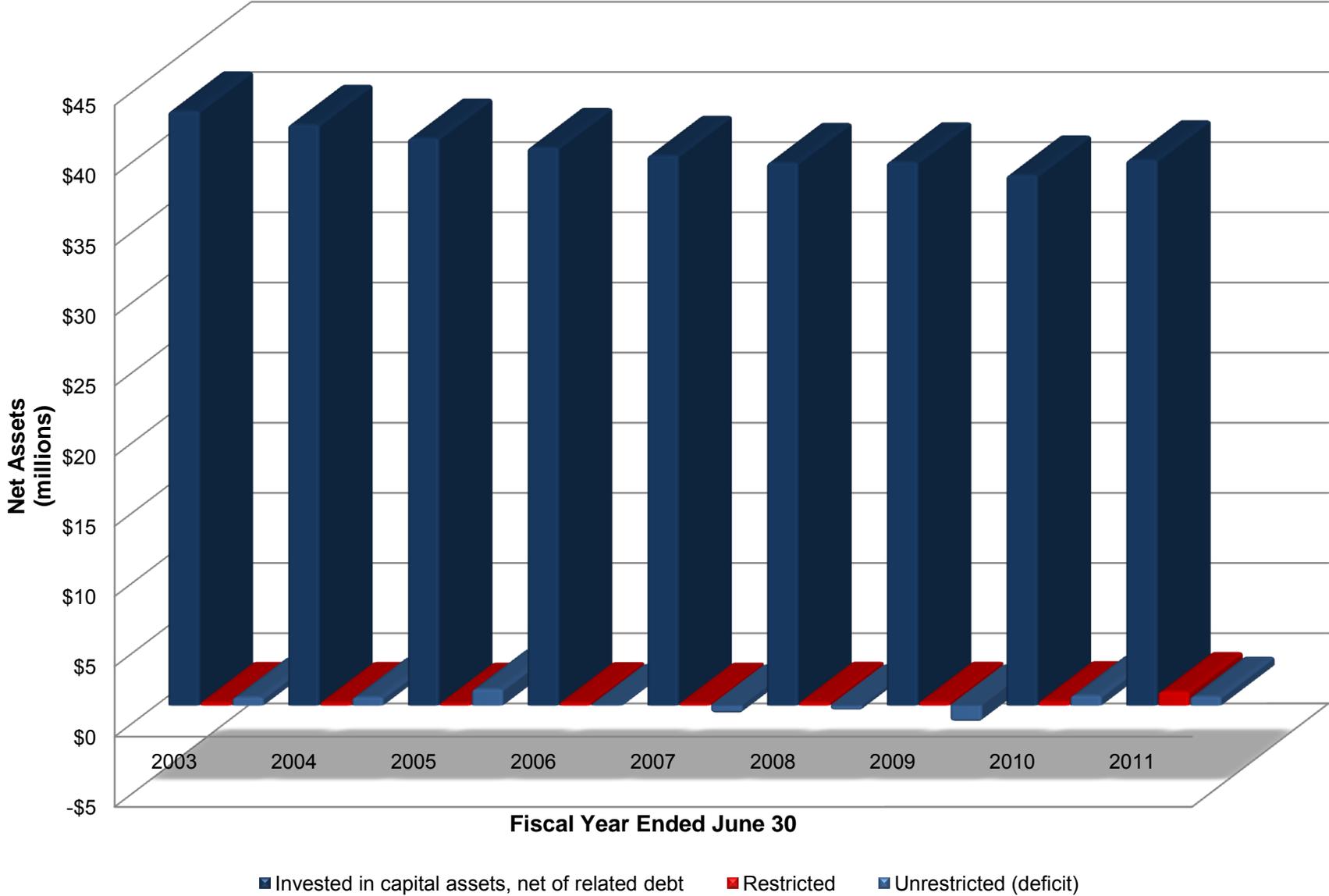
SCOTLAND COUNTY BOARD OF EDUCATION
Net Assets by Component
Last Nine Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ 42,166,689	\$ 41,182,433	\$ 40,262,233	\$ 39,367,778	\$ 38,815,374	\$ 38,385,595	\$ 38,443,906	\$ 37,486,907	\$ 38,611,421
Restricted	256,339	247,439	189,507	239,656	187,006	271,093	273,640	323,558	991,395
Unrestricted (deficit)	142,341	115,245	564,010	(401,413)	(1,259,780)	(1,084,697)	(1,845,038)	(35,736)	(134,957)
	<u>\$ 42,565,369</u>	<u>\$ 41,545,117</u>	<u>\$ 41,015,750</u>	<u>\$ 39,206,021</u>	<u>\$ 37,742,600</u>	<u>\$ 37,571,991</u>	<u>\$ 36,872,508</u>	<u>\$ 37,774,729</u>	<u>\$ 39,467,859</u>
Business-type activities:									
Invested in capital assets	\$ 211,184	\$ 235,293	\$ 177,188	\$ 411,828	\$ 395,026	\$ 318,474	\$ 305,023	\$ 324,314	\$ 282,478
Unrestricted	452,552	487,271	614,876	452,211	659,804	704,060	647,524	753,847	791,323
	<u>\$ 663,736</u>	<u>\$ 722,564</u>	<u>\$ 792,064</u>	<u>\$ 864,039</u>	<u>\$ 1,054,830</u>	<u>\$ 1,022,534</u>	<u>\$ 952,547</u>	<u>\$ 1,078,161</u>	<u>\$ 1,073,801</u>
District-wide:									
Invested in capital assets, net of related debt	\$ 42,377,873	\$ 41,417,726	\$ 40,439,421	\$ 39,779,606	\$ 39,210,400	\$ 38,704,069	\$ 38,748,929	\$ 37,811,221	\$ 38,893,899
Restricted	256,339	247,439	189,507	239,656	187,006	271,093	273,640	323,558	991,395
Unrestricted (deficit)	594,893	602,516	1,178,886	50,798	(599,976)	(380,637)	(1,197,514)	718,111	656,366
	<u>\$ 43,229,105</u>	<u>\$ 42,267,681</u>	<u>\$ 41,807,814</u>	<u>\$ 40,070,060</u>	<u>\$ 38,797,430</u>	<u>\$ 38,594,525</u>	<u>\$ 37,825,055</u>	<u>\$ 38,852,890</u>	<u>\$ 40,541,660</u>

Source: Scotland County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2011

Note: This table is a ten year schedule. However, GASB 34 was implemented for the year ended June 30, 2003. Therefore, there are only nine years of comparative data noted above.

Net Assets by Component District-wide



SCOTLAND COUNTY BOARD OF EDUCATION

**Changes in Net Assets
Last Nine Fiscal Years**

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
Instructional services	\$ 39,143,920	\$ 40,080,502	\$ 40,826,105	\$ 43,925,918	\$ 47,811,605	\$ 56,080,419	\$ 56,454,966	\$ 52,572,075	\$ 52,617,939
System-wide support services	13,346,766	13,900,626	14,211,772	15,140,810	17,637,797	13,727,140	12,905,855	13,914,561	15,199,322
Ancillary services	261,872	131,857	100,546	80,495	94,597	349,169	90,944	56,888	34,693
Non-programmed charges	725	137,605	137,099	34,080	46,416	16,164	-	14,794	18,213
Unallocated depreciation expense	1,206,271	1,278,748	1,253,260	1,204,446	1,223,034	1,159,897	153,727	242,858	244,679
Total governmental activities expenses	<u>53,959,554</u>	<u>55,529,338</u>	<u>56,528,782</u>	<u>60,385,749</u>	<u>66,813,449</u>	<u>71,332,789</u>	<u>69,605,492</u>	<u>66,801,176</u>	<u>68,114,846</u>
Business-type activities:									
School food service	3,230,703	3,361,407	3,367,289	3,426,330	3,370,520	3,666,494	3,747,981	3,638,656	3,733,515
Total district-wide expenses	<u>\$ 57,190,257</u>	<u>\$ 58,890,745</u>	<u>\$ 59,896,071</u>	<u>\$ 63,812,079</u>	<u>\$ 70,183,969</u>	<u>\$ 74,999,283</u>	<u>\$ 73,353,473</u>	<u>\$ 70,439,832</u>	<u>\$ 71,848,361</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Co-curricular services	\$ -	\$ -	\$ 1,240,712	\$ 1,346,240	\$ 1,277,287	\$ 1,328,443	\$ 1,178,816	\$ 1,175,488	\$ 1,132,331
Other	13,288	23,194	24,263	13,529	13,073	21,038	-	77,921	62,097
Operating grants and contributions	41,931,997	43,125,116	43,729,235	44,384,910	48,875,261	52,360,993	53,878,117	49,036,181	49,505,224
Capital grants and contributions	232,278	419,389	660,026	682,901	633,200	587,284	416,800	462,494	685,793
Total governmental activities program revenues	<u>42,177,563</u>	<u>43,567,699</u>	<u>45,654,236</u>	<u>46,427,580</u>	<u>50,798,821</u>	<u>54,297,758</u>	<u>55,473,733</u>	<u>50,752,084</u>	<u>51,385,445</u>
Business-type activities:									
Charges for services:									
Student meal services	961,393	932,101	910,368	864,365	773,479	834,891	818,719	715,572	677,169
Operating grants and contributions	2,328,457	2,487,360	2,556,333	2,627,725	2,769,292	2,781,273	2,850,645	2,962,039	2,999,312
Capital grants and contributions	-	-	-	-	-	-	-	36,693	-
Total business-type activities program revenues	<u>3,289,850</u>	<u>3,419,461</u>	<u>3,466,701</u>	<u>3,492,090</u>	<u>3,542,771</u>	<u>3,616,164</u>	<u>3,669,364</u>	<u>3,714,304</u>	<u>3,676,481</u>
Total district-wide program revenues	<u>\$ 45,467,413</u>	<u>\$ 46,987,160</u>	<u>\$ 49,120,937</u>	<u>\$ 49,919,670</u>	<u>\$ 54,341,592</u>	<u>\$ 57,913,922</u>	<u>\$ 59,143,097</u>	<u>\$ 54,466,388</u>	<u>\$ 55,061,926</u>
Net (Expense) Revenue									
Governmental activities	\$ (11,781,991)	\$ (11,961,639)	\$ (10,874,546)	\$ (13,958,169)	\$ (16,014,628)	\$ (17,035,031)	\$ (14,131,759)	\$ (16,049,092)	\$ (16,729,401)
Business-type activities	59,147	58,054	99,412	65,760	172,251	(50,330)	(78,617)	75,648	(57,034)
Total district-wide net expense	<u>\$ (11,722,844)</u>	<u>\$ (11,903,585)</u>	<u>\$ (10,775,134)</u>	<u>\$ (13,892,409)</u>	<u>\$ (15,842,377)</u>	<u>\$ (17,085,361)</u>	<u>\$ (14,210,376)</u>	<u>\$ (15,973,444)</u>	<u>\$ (16,786,435)</u>

Table 3
(continued)

SCOTLAND COUNTY BOARD OF EDUCATION
Changes in Net Assets (continued)
Last Nine Fiscal Years

Year Ended June 30	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Unrestricted county appropriations - operating	\$ 8,700,000	\$ 8,781,018	\$ 9,208,297	\$ 9,386,584	\$ 9,855,913	\$ 10,317,106	\$ 10,941,400	\$ 10,871,381	\$ 10,688,920
Unrestricted county appropriations - capital	451,148	792,740	-	-	675,188	815,696	1,217,559	680,015	2,846,715
Unrestricted State appropriations - operating	320,980	-	-	2,266,967	3,145,859	1,308,491	-	3,612,398	3,744,507
Unrestricted Federal appropriations - operating	-	-	-	-	-	-	-	7,332	6,931
Unrestricted State appropriations - capital	-	213,968	-	-	395,008	1,191,085	576,797	825,907	659,453
Unrestricted Federal appropriations - capital	-	-	-	-	-	-	227,353	-	-
Investment earnings, unrestricted	80,605	70,429	71,728	78,165	61,202	76,964	20,271	33,730	37,220
Miscellaneous, unrestricted	814,188	1,083,232	987,340	416,724	418,037	3,155,080	448,896	965,550	488,147
Transfers	-	-	-	-	-	-	-	(45,000)	(49,362)
Total governmental activities	10,366,921	10,941,387	10,267,365	12,148,440	14,551,207	16,864,422	13,432,276	16,951,313	18,422,531
Business-type activities:									
Unrestricted State appropriations - operating	-	-	-	-	-	3,068	-	-	-
Investment earnings, unrestricted	822	774	1,512	6,215	18,540	14,966	8,630	4,966	3,312
Transfers	-	-	-	-	-	-	-	45,000	49,362
Total business-type activities	822	774	1,512	6,215	18,540	18,034	8,630	49,966	52,674
Total district-wide	\$ 10,367,743	\$ 10,942,161	\$ 10,268,877	\$ 12,154,655	\$ 14,569,747	\$ 16,882,456	\$ 13,440,906	\$ 17,001,279	\$ 18,475,205
Change in Net Assets									
Governmental activities	\$ (1,415,070)	\$ (1,020,252)	\$ (607,181)	\$ (1,809,729)	\$ (1,463,421)	\$ (170,609)	\$ (699,483)	\$ 902,221	\$ 1,693,130
Business-type activities	59,969	58,828	100,924	71,975	190,791	(32,296)	(69,987)	125,614	(4,360)
Total district-wide change in net assets	\$ (1,355,101)	\$ (961,424)	\$ (506,257)	\$ (1,737,754)	\$ (1,272,630)	\$ (202,905)	\$ (769,470)	\$ 1,027,835	\$ 1,688,770

Source: Scotland County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2011

Note: This table is a ten year schedule. However, GASB 34 was implemented for the year ended June 30, 2003. Therefore, there are only nine years of comparative data noted above.

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

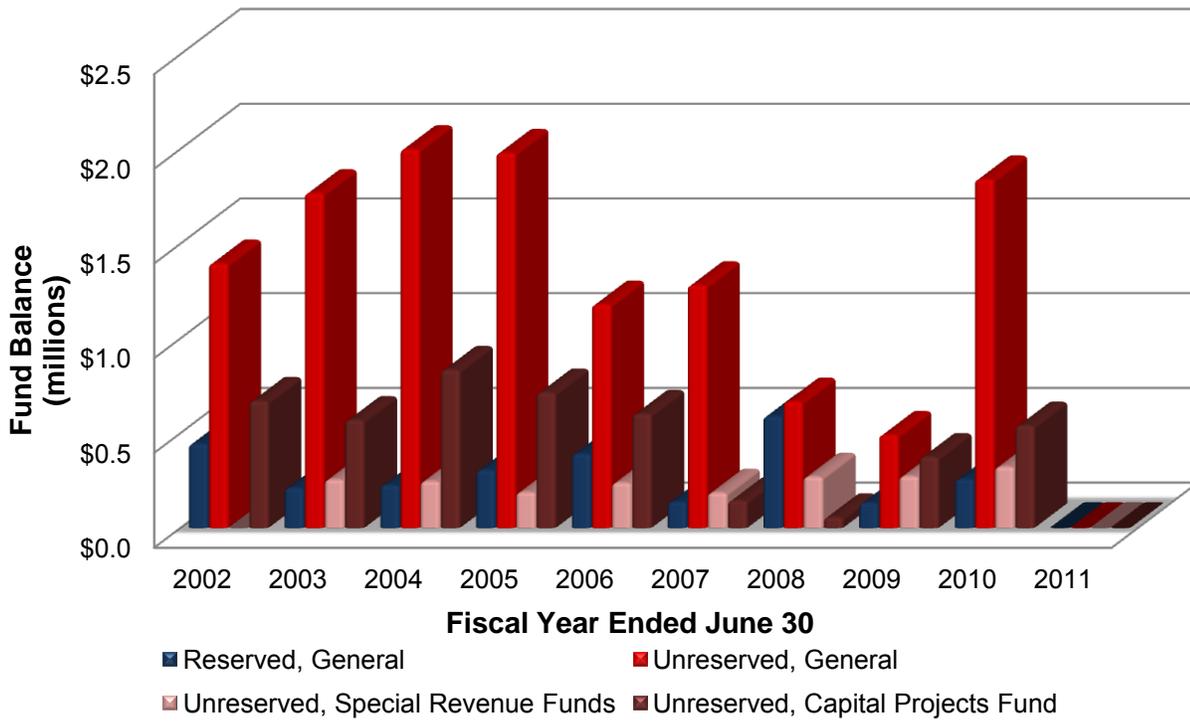
SCOTLAND COUNTY BOARD OF EDUCATION
Governmental Funds
Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:										
Reserved	\$ 444,956	\$ 211,354	\$ 226,827	\$ 305,705	\$ 392,484	\$ 138,344	\$ 590,056	\$ 132,020	\$ 257,261	\$ -
Unreserved	1,396,736	1,767,818	2,000,417	1,980,715	1,180,066	1,282,040	667,721	491,819	1,840,867	-
Restricted	-	-	-	-	-	-	-	-	-	227,502
Assigned	-	-	-	-	-	-	-	-	-	1,950,000
Unassigned	-	-	-	-	-	-	-	-	-	899,569
Total General Fund	<u>\$ 1,841,692</u>	<u>\$ 1,979,172</u>	<u>\$ 2,227,244</u>	<u>\$ 2,286,420</u>	<u>\$ 1,572,550</u>	<u>\$ 1,420,384</u>	<u>\$ 1,257,777</u>	<u>\$ 623,839</u>	<u>\$ 2,098,128</u>	<u>\$ 3,077,071</u>
All other governmental funds:										
Reserved	\$ 150,286	\$ 99,933	\$ 64,485	\$ 65,522	\$ 85,331	\$ 11,013	\$ 499,258	\$ 194,645	\$ 111,266	\$ -
Unreserved, reported in:										
Special Revenue Funds	-	256,339	247,439	189,507	239,656	187,006	271,093	273,640	323,558	-
Capital Projects Fund	671,323	570,054	835,023	715,603	602,783	144,203	56,665	375,016	540,863	-
Restricted	-	-	-	-	-	-	-	-	-	763,893
Total all other governmental funds	<u>\$ 821,609</u>	<u>\$ 926,326</u>	<u>\$ 1,146,947</u>	<u>\$ 970,632</u>	<u>\$ 927,770</u>	<u>\$ 342,222</u>	<u>\$ 827,016</u>	<u>\$ 843,301</u>	<u>\$ 975,687</u>	<u>\$ 763,893</u>

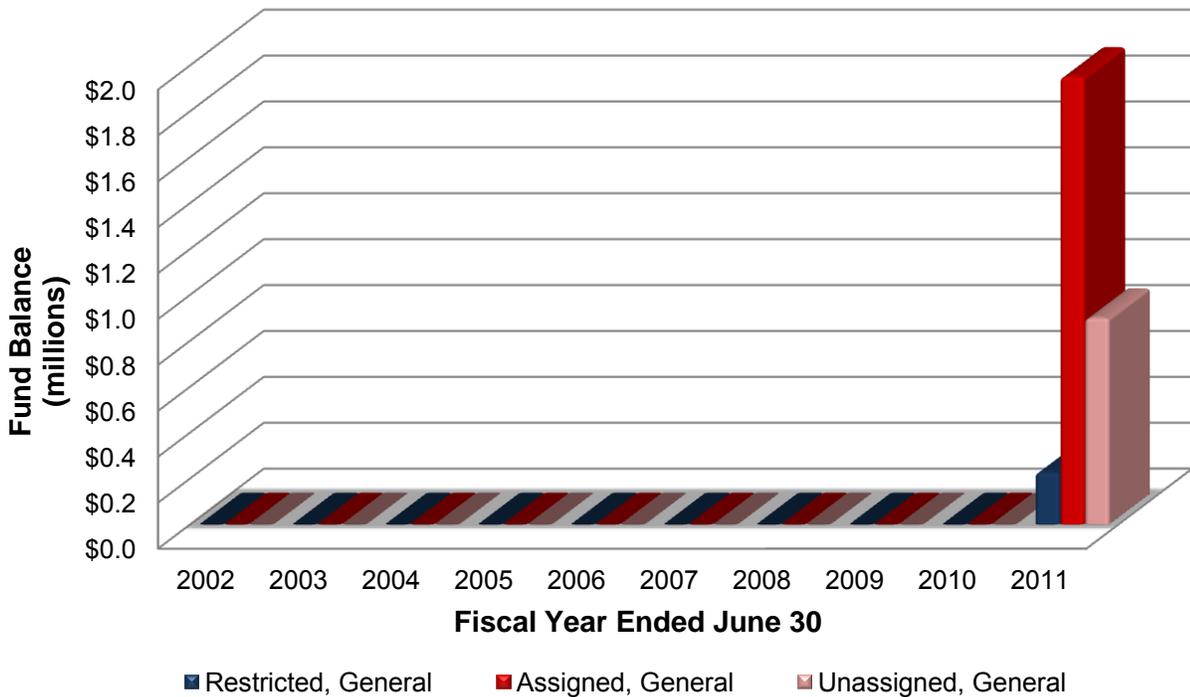
Source: Scotland County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2011

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

Governmental Funds Fund Balances - Before GASB 54 Implementation



Governmental Funds Fund Balances - After GASB 54 Implementation



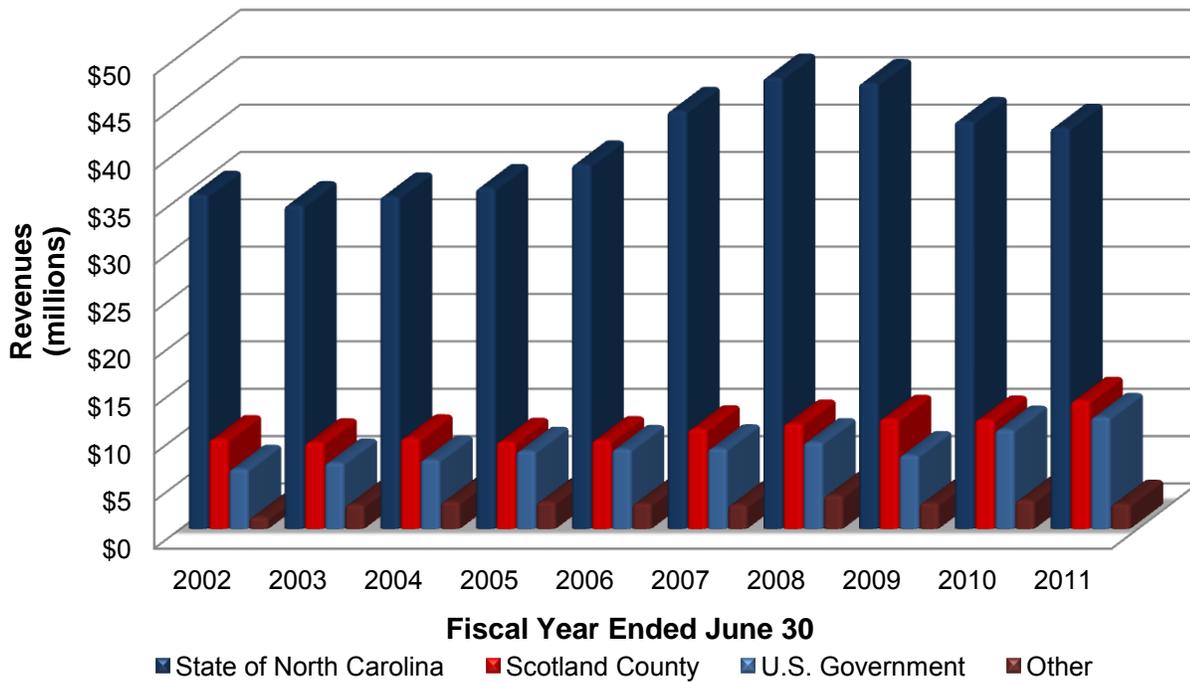
SCOTLAND COUNTY BOARD OF EDUCATION
Governmental Funds
Changes in Fund Balances
Last Ten Fiscal Years

Year Ended June 30	2002	2003	2004	2005	2006
Revenues					
State of North Carolina	\$ 35,285,928	\$ 34,189,942	\$ 35,117,517	\$ 35,998,721	\$ 38,491,871
Scotland County	9,492,934	9,151,148	9,573,758	9,208,297	9,386,584
U.S. Government	6,347,324	7,007,855	7,330,674	8,252,288	8,445,082
Other	1,256,468	2,562,420	2,890,395	2,875,089	2,704,307
Total revenues	52,382,654	52,911,365	54,912,344	56,334,395	59,027,844
Expenditures					
Instructional services	37,032,238	38,785,474	39,703,346	41,200,718	43,804,363
System-wide support services	12,222,972	12,499,291	12,970,119	14,172,664	15,001,966
Ancillary services	67,749	64,020	131,857	100,546	80,495
Non-programmed charges	169,153	413,089	323,203	333,438	255,933
Debt service	23,503	4,988	143,710	284,517	284,517
Capital outlay	2,396,884	1,149,444	1,603,132	897,209	347,419
Total expenditures	51,912,499	52,916,306	54,875,367	56,989,092	59,774,693
Revenues over (under) expenditures	470,155	(4,941)	36,977	(654,697)	(746,849)
Other financing sources (uses)					
Transfers to other funds	-	-	-	-	-
Installment purchase obligations	-	-	431,131	422,422	-
Total other financing sources (uses)	-	-	431,131	422,422	-
Net change in fund balances	\$ 470,155	\$ (4,941)	\$ 468,108	\$ (232,275)	\$ (746,849)
Ratio of debt service expenditures to total non-capital expenditures	0.05%	0.01%	0.27%	0.51%	0.48%
Year Ended June 30	2007	2008	2009	2010	2011
Revenues					
State of North Carolina	\$ 44,147,565	\$ 47,664,361	\$ 47,086,600	\$ 43,074,009	\$ 42,362,001
Scotland County	10,531,101	11,132,802	11,630,651	11,551,396	13,535,635
U.S. Government	8,514,175	9,169,085	7,804,990	10,487,326	11,823,722
Other	2,553,021	3,542,273	2,735,585	3,023,712	2,662,771
Total revenues	65,745,862	71,508,521	69,257,826	68,136,443	70,384,129
Expenditures					
Instructional services	47,683,600	56,029,113	55,353,312	51,780,988	51,388,210
System-wide support services	16,342,111	12,505,434	12,306,397	12,568,419	14,306,069
Ancillary services	94,597	349,169	90,944	56,888	34,693
Non-programmed charges	227,985	168,443	86,163	232,697	251,539
Debt service	251,890	158,309	576,797	364,963	685,793
Capital outlay	2,180,022	2,004,460	2,559,003	1,480,813	3,697,241
Total expenditures	66,780,205	71,214,928	70,972,616	66,484,768	70,363,545
Revenues over (under) expenditures	(1,034,343)	293,593	(1,714,790)	1,651,675	20,584
Other financing sources (uses)					
Transfers to other funds	-	-	-	(45,000)	(49,362)
Installment purchase obligations	333,250	70,839	1,094,888	-	795,927
Total other financing sources (uses)	333,250	70,839	1,094,888	(45,000)	746,565
Net change in fund balances	\$ (701,093)	\$ 364,432	\$ (619,902)	\$ 1,606,675	\$ 767,149
Ratio of debt service expenditures to total non-capital expenditures	0.39%	0.23%	0.85%	0.56%	1.04%

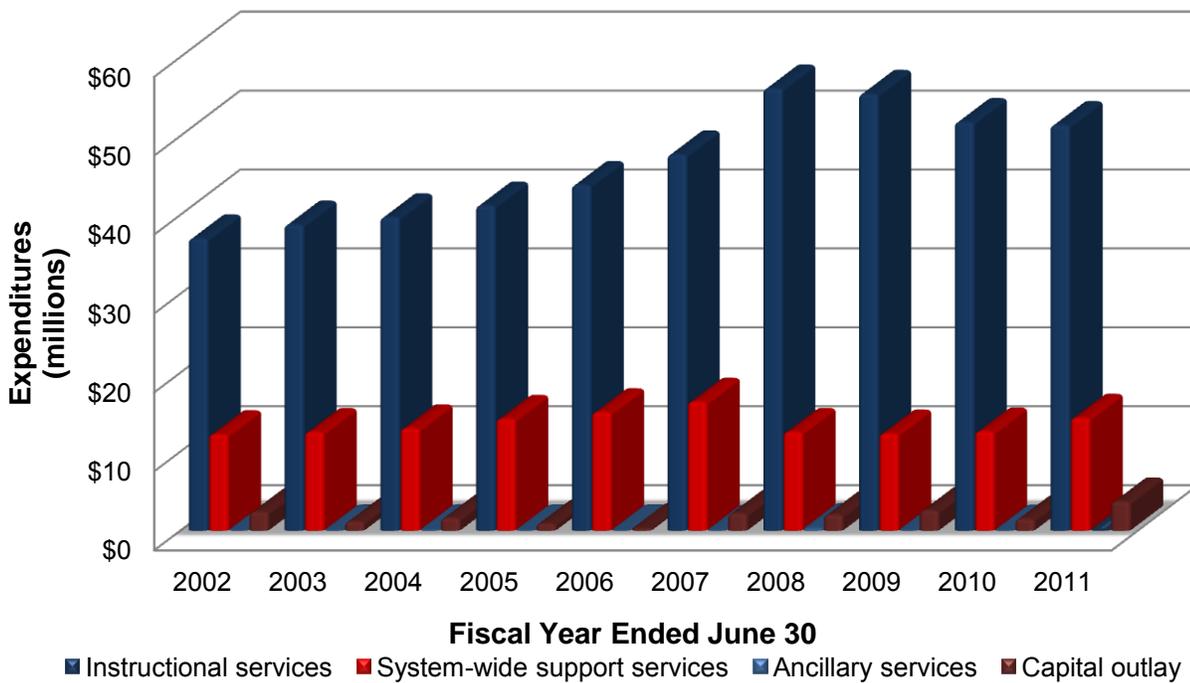
Source: Scotland County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2011

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

Governmental Funds Revenues by Source



Governmental Funds Expenditures by Function



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

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2002	2003	2004	2005	2006
Average Daily Membership	6,771	6,763	6,797	6,732	6,765
Instructional	\$ 5,469	\$ 5,735	\$ 5,841	\$ 6,120	\$ 6,475
System-wide support	1,805	1,848	1,908	2,105	2,218
Ancillary	10	9	19	15	12
Total expenditures per pupil	<u>\$ 7,284</u>	<u>\$ 7,592</u>	<u>\$ 7,768</u>	<u>\$ 8,240</u>	<u>\$ 8,705</u>

EXPRESSED IN NOMINAL DOLLARS

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

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2002	2003	2004	2005	2006
Instructional	\$ 3,040	\$ 3,122	\$ 3,079	\$ 3,147	\$ 3,191
System-wide support	1,003	1,006	1,006	1,082	1,093
Ancillary	6	5	10	8	6
Total expenditures per pupil	<u>\$ 4,049</u>	<u>\$ 4,133</u>	<u>\$ 4,095</u>	<u>\$ 4,237</u>	<u>\$ 4,290</u>

EXPRESSED IN CONSTANT DOLLARS

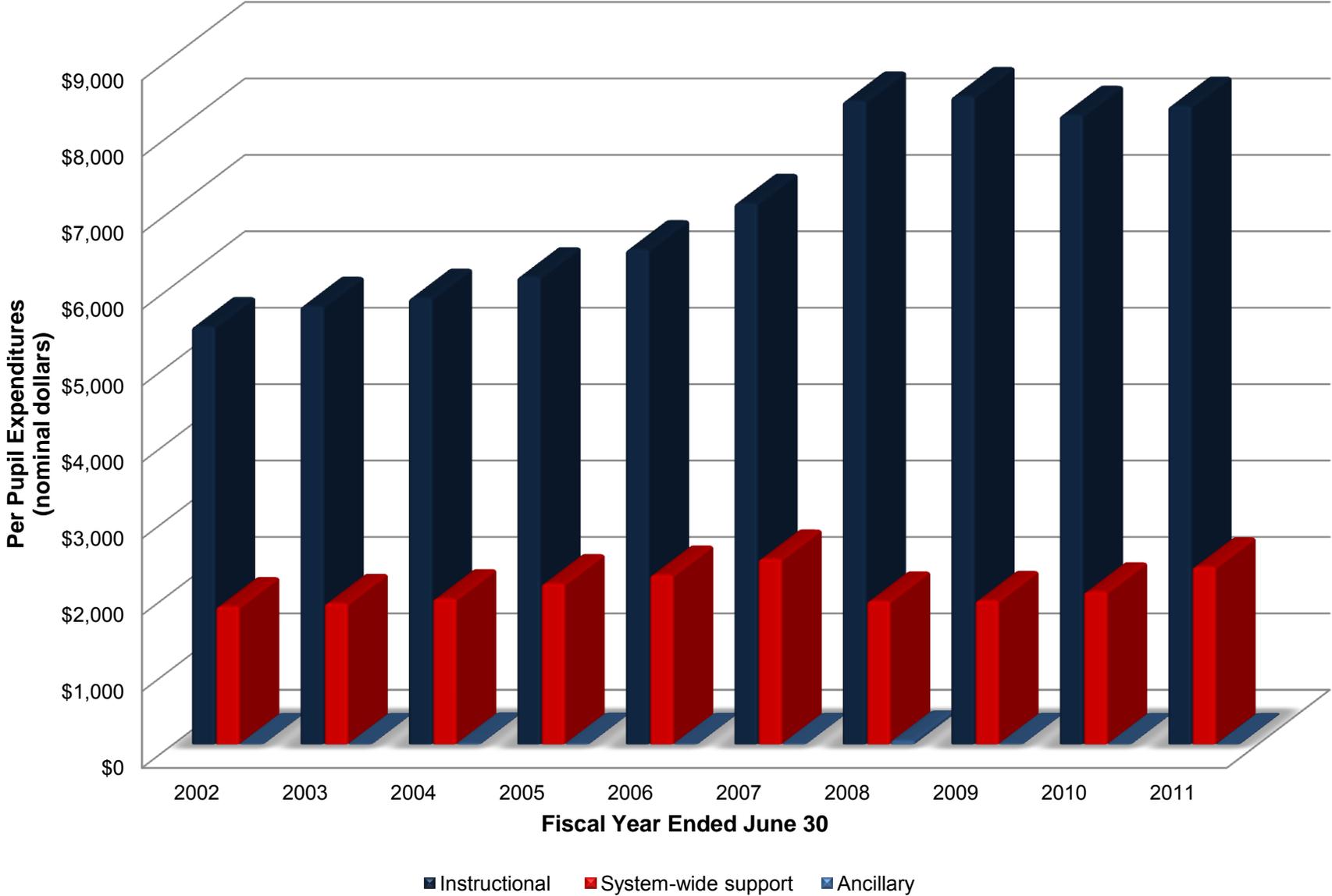
Year Ended June 30	2007	2008	2009	2010	2011
Instructional	\$ 3,399	\$ 3,848	\$ 3,931	\$ 3,778	\$ 3,700
System-wide support	1,165	859	874	917	1,030
Ancillary	7	24	6	4	3
Total expenditures per pupil	<u>\$ 4,571</u>	<u>\$ 4,731</u>	<u>\$ 4,811</u>	<u>\$ 4,699</u>	<u>\$ 4,733</u>

Source: Scotland County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2011.
The above operational expenditures per pupil include all governmental funds.

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

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

Operational Expenditures Per Pupil Expenditures by Function



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

EXPRESSED IN NOMINAL DOLLARS					
Year Ended June 30	2002	2003	2004	2005	2006
Food sales	\$ 978,019	\$ 961,393	\$ 932,101	\$ 910,368	\$ 864,365
Federal reimbursements	1,957,888	2,152,412	2,286,365	2,344,301	2,420,827
Federal commodities	182,849	176,045	189,820	175,146	185,663
Other	-	-	-	-	-
Total revenues	<u>\$ 3,118,756</u>	<u>\$ 3,289,850</u>	<u>\$ 3,408,286</u>	<u>\$ 3,429,815</u>	<u>\$ 3,470,855</u>
EXPRESSED IN NOMINAL DOLLARS					
Year Ended June 30	2007	2008	2009	2010	2011
Food sales	\$ 773,479	\$ 834,891	\$ 818,719	\$ 715,572	\$ 677,169
Federal reimbursements	2,566,320	2,555,097	2,643,152	2,743,061	2,768,697
Federal commodities	196,065	217,610	201,503	211,764	222,111
Other	-	-	-	12,180	11,816
Total revenues	<u>\$ 3,535,864</u>	<u>\$ 3,607,598</u>	<u>\$ 3,663,374</u>	<u>\$ 3,682,577</u>	<u>\$ 3,679,793</u>

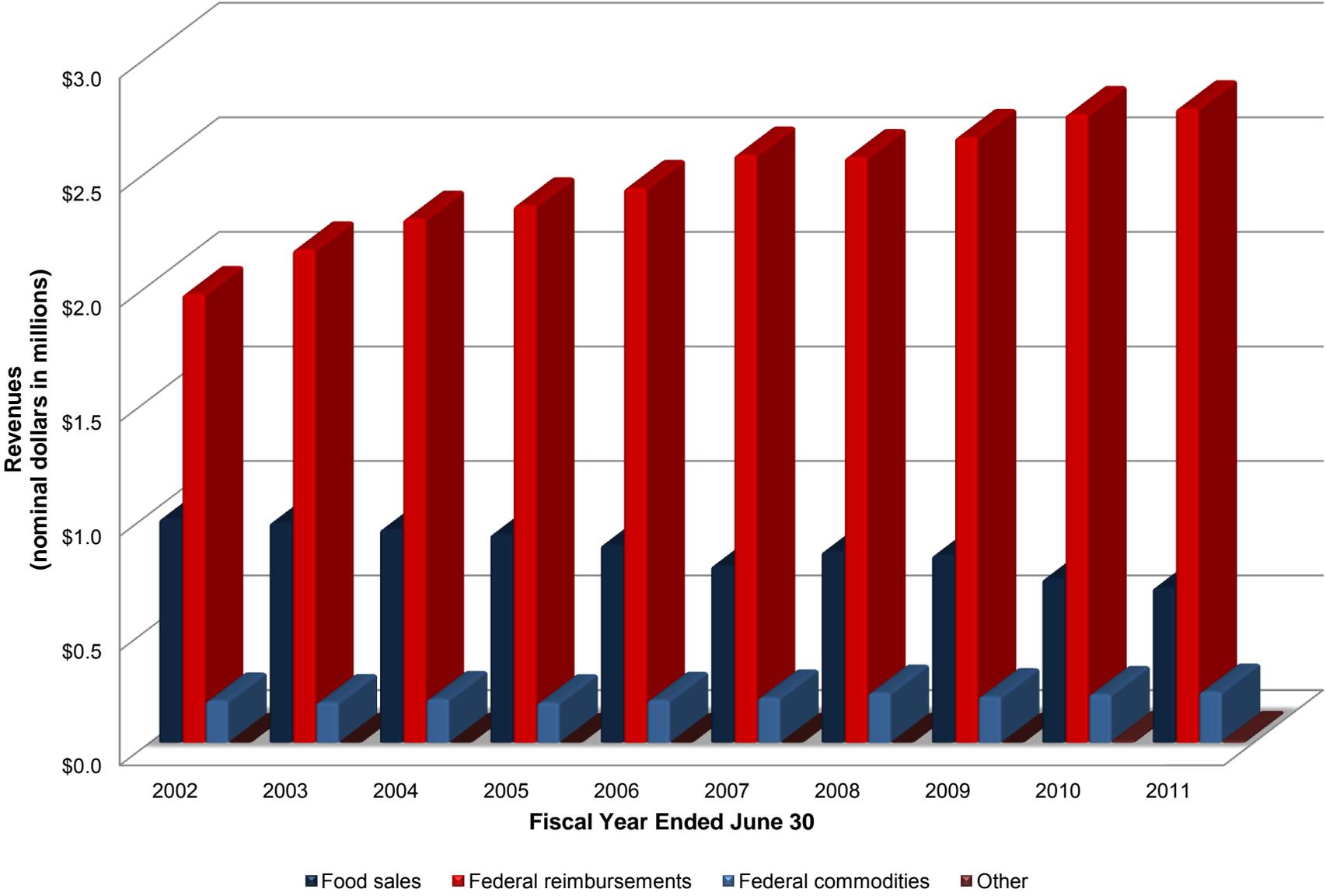
EXPRESSED IN CONSTANT DOLLARS					
Year Ended June 30	2002	2003	2004	2005	2006
Food sales	\$ 543,646	\$ 523,349	\$ 491,355	\$ 468,056	\$ 426,005
Federal reimbursements	1,088,320	1,171,700	1,205,253	1,205,296	1,193,113
Federal commodities	101,639	95,833	100,063	90,049	91,505
Other	-	-	-	-	-
Total revenues	<u>\$ 1,733,605</u>	<u>\$ 1,790,882</u>	<u>\$ 1,796,671</u>	<u>\$ 1,763,401</u>	<u>\$ 1,710,623</u>
EXPRESSED IN CONSTANT DOLLARS					
Year Ended June 30	2007	2008	2009	2010	2011
Food sales	\$ 371,237	\$ 381,551	\$ 379,576	\$ 328,297	\$ 300,001
Federal reimbursements	1,231,723	1,167,697	1,225,423	1,258,487	1,226,596
Federal commodities	94,103	99,449	93,421	97,155	98,400
Other	-	-	-	5,588	5,235
Total revenues	<u>\$ 1,697,063</u>	<u>\$ 1,648,697</u>	<u>\$ 1,698,420</u>	<u>\$ 1,689,527</u>	<u>\$ 1,630,232</u>

Source: Scotland County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2011

Note: Other revenue includes interest earned, State reimbursements, indirect costs not paid, and other revenue.

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

Proprietary Fund - Food Services Operations Revenues by Source



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

EXPRESSED IN NOMINAL DOLLARS					
Year Ended June 30	2002	2003	2004	2005	2006
Purchase of food	\$ 1,031,760	\$ 1,054,746	\$ 1,098,452	\$ 1,112,544	\$ 1,018,570
Donated commodities	182,849	176,045	189,820	175,146	185,663
Salaries and benefits	1,508,801	1,575,014	1,638,102	1,654,824	1,741,151
Other	30,291	41,436	42,730	66,641	50,331
Total expenses	\$ 2,753,701	\$ 2,847,241	\$ 2,969,104	\$ 3,009,155	\$ 2,995,715
EXPRESSED IN NOMINAL DOLLARS					
Year Ended June 30	2007	2008	2009	2010	2011
Purchase of food	\$ 1,023,733	\$ 1,133,605	\$ 1,196,617	\$ 1,025,700	\$ 1,040,334
Donated commodities	196,065	217,610	201,503	211,764	222,111
Salaries and benefits	1,670,926	1,820,744	1,884,227	1,864,432	1,896,213
Other	31,139	16,097	18,437	536,760	574,857
Total expenses	\$ 2,921,863	\$ 3,188,056	\$ 3,300,784	\$ 3,638,656	\$ 3,733,515

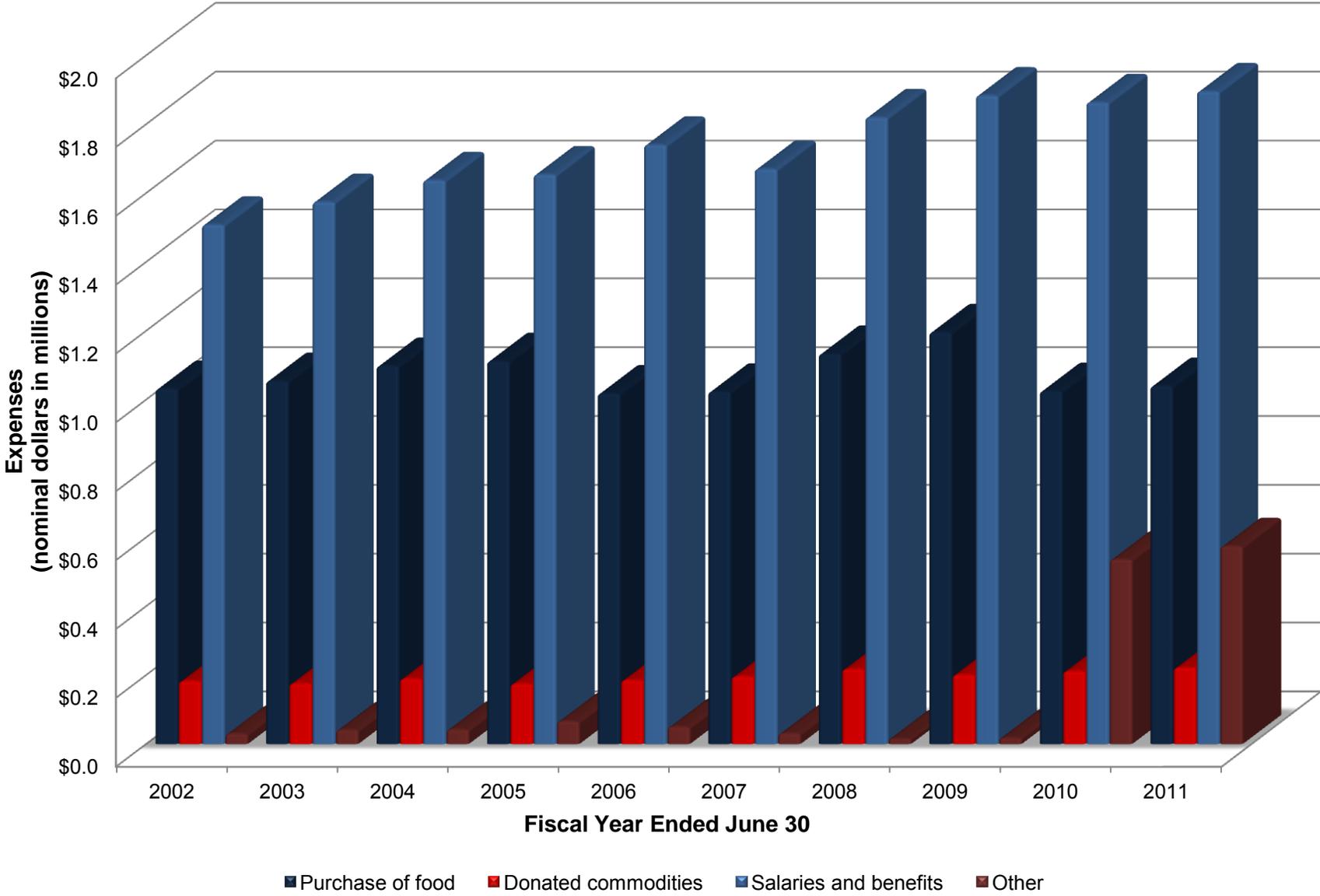
EXPRESSED IN CONSTANT DOLLARS					
Year Ended June 30	2002	2003	2004	2005	2006
Purchase of food	\$ 573,519	\$ 574,168	\$ 579,047	\$ 572,002	\$ 502,006
Donated commodities	101,639	95,833	100,063	90,049	91,505
Salaries and benefits	838,689	857,384	863,522	850,809	858,133
Other	16,838	22,556	22,525	34,263	24,806
Total expenses	\$ 1,530,685	\$ 1,549,941	\$ 1,565,157	\$ 1,547,123	\$ 1,476,450
EXPRESSED IN CONSTANT DOLLARS					
Year Ended June 30	2007	2008	2009	2010	2011
Purchase of food	\$ 491,348	\$ 518,065	\$ 554,778	\$ 470,580	\$ 460,892
Donated commodities	94,103	99,449	93,421	97,155	98,400
Salaries and benefits	801,973	832,093	873,569	855,381	840,066
Other	14,945	7,356	8,548	246,260	254,675
Total expenses	\$ 1,402,369	\$ 1,456,963	\$ 1,530,316	\$ 1,669,376	\$ 1,654,033

Source: Scotland County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2011

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

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

Proprietary Fund - Food Services Operations Expenses by Category



SCOTLAND COUNTY BOARD OF EDUCATION
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Year Ended June 30	Installment Purchases	Total Primary Government	Percentage of Personal Income	Per Capita
2011	\$ 397,961	\$ 397,961	N/A	N/A
2010	287,827	287,827	N/A	\$ 8
2009	652,790	652,790	0.07%	18
2008	134,699	134,699	0.01%	4
2007	222,169	222,169	0.02%	6
2006	140,809	140,809	0.02%	4
2005	425,326	425,326	0.05%	12
2004	287,421	287,421	0.03%	8
2003	-	-	-	-
2002	-	-	-	-

N/A = Not available

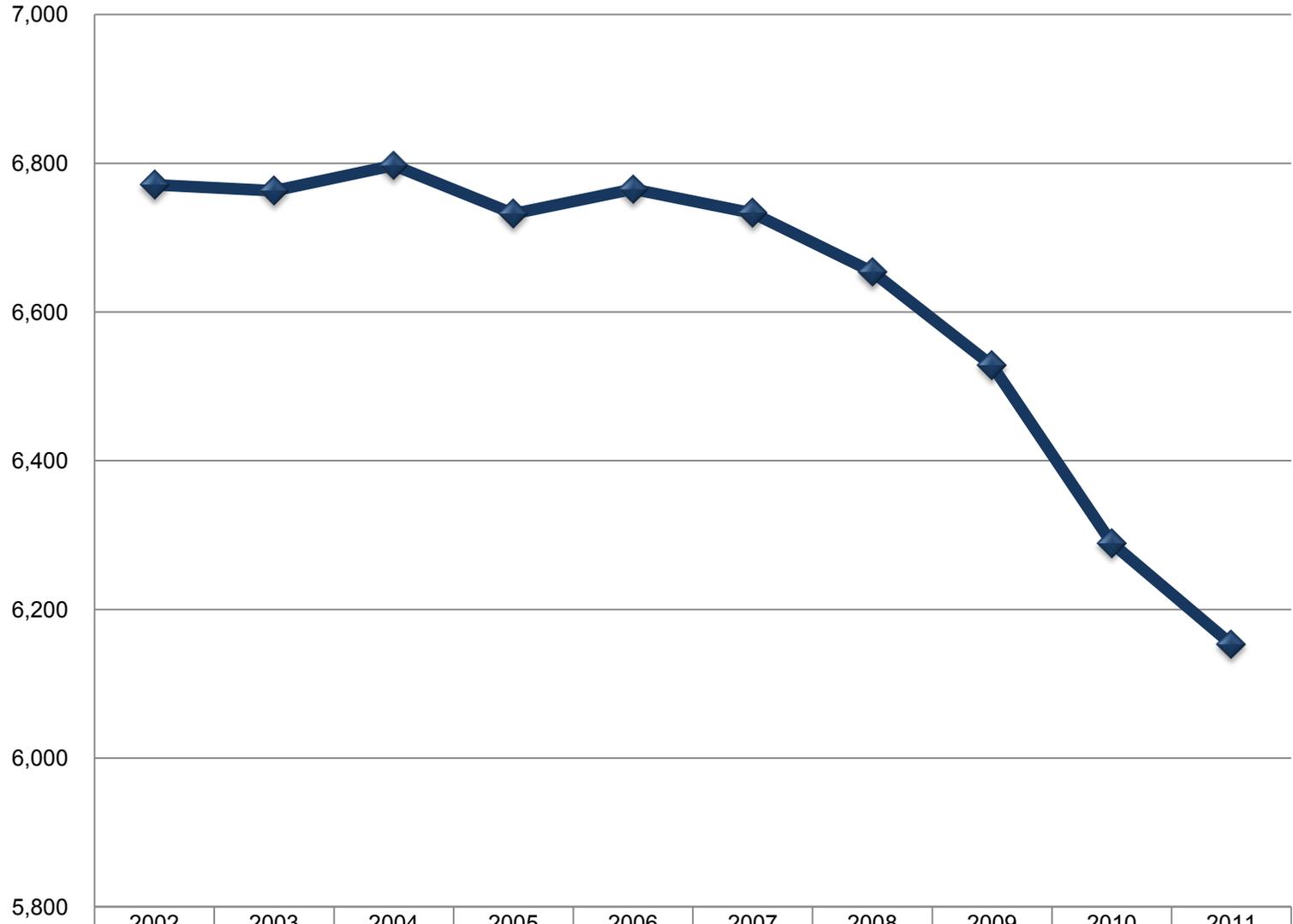
Source: Scotland County Board of Education, North Carolina, Annual Financial Report for the year ended June 30, 2011

Note: Scotland County School System cannot incur debt without obtaining prior approval from the Board.

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2011 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2012, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2010 and June 30, 2011 income based information will be shown above as "N/A", and the June 30, 2010 information will be reported for the year ended June 30, 2012, if applicable.

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



◆ Avg Daily Membership	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	6,771	6,763	6,797	6,732	6,765	6,733	6,654	6,528	6,289	6,153

SCOTLAND COUNTY BOARD OF EDUCATION
Student Statistics
Last Ten Fiscal Years

Year Ended June 30	Teaching Staff	Students	Teacher/ Pupil Ratio	Student Attendance Percentage⁽¹⁾	Percentage of Students Receiving Free/Reduced Lunch⁽²⁾
2011	493	6,153	1/12	93.95%	75.74%
2010	511	6,289	1/12	94.15%	77.95%
2009	533	6,528	1/12	94.58%	72.37%
2008	530	6,654	1/13	95.13%	69.39%
2007	539	6,733	1/12	94.46%	70.83%
2006	549	6,765	1/12	94.71%	73.44%
2005	538	6,732	1/13	94.88%	69.39%
2004	536	6,797	1/13	94.63%	71.02%
2003	534	6,763	1/13	94.71%	65.80%
2002	526	6,771	1/13	94.98%	66.82%

Table 11
(continued)

<p>SCOTLAND COUNTY BOARD OF EDUCATION Student Statistics (continued) Last Ten Fiscal Years</p>

Year Ended June 30	Ethnic Distribution Percentage ⁽³⁾					Graduates ⁽⁴⁾	Percentage of Graduates Continuing Education ⁽⁴⁾
	White	Black	Asian	Hispanic	Other		
2011	33%	46%	1%	2%	18%	341	77%
2010	35%	49%	1%	1%	14%	411	82%
2009	35%	49%	1%	1%	14%	398	80%
2008	35%	49%	1%	1%	14%	375	78%
2007	36%	48%	1%	1%	14%	368	77%
2006	37%	48%	1%	1%	13%	334	79%
2005	38%	48%	1%	1%	12%	354	80%
2004	38%	48%	1%	1%	12%	360	76%
2003	39%	47%	1%	1%	12%	350	73%
2002	40%	47%	1%	1%	11%	339	81%

Sources:

- (1) NC Department of Public Instruction Average Daily Attendance(ADA):Average Daily Membership(ADM) Ratio Reports
- (2) Scotland County Board of Education Student Data
- (3) North Carolina Public Schools Statistical Profile (2002-2010 Editions). Current year information obtained from Scotland County Board of Education Student Data
- (4) North Carolina Public Schools Statistical Profile (2002-2009 Editions). Information for 2010 and 2011 obtained from Scotland County Board of Education Student Data

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

Year Ended June 30	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Officials, admins, mgrs	23	14	14	13	13	13	18	15	13	18
Principals	15	15	15	15	17	19	20	21	21	19
Asst. Principals, non-teaching	16	15	15	15	14	13	14	11	14	14
Total administrators	54	44	44	43	44	45	52	47	48	51
Elementary teachers	390	389	392	394	398	386	373	375	359	347
Secondary teachers	132	141	140	140	147	145	156	156	148	133
Other teachers	4	4	4	4	4	8	1	2	4	13
Total teachers	526	534	536	538	549	539	530	533	511	493
Guidance	21	22	20	20	21	18	24	23	19	20
Psychological	2	2	3	3	3	4	2	4	4	6
Librarian, audiovisual	14	13	12	13	14	13	14	14	13	14
Consultant, supervisor	3	-	-	1	7	7	30	27	23	20
Other professionals	10	19	19	21	22	32	29	29	29	31
Total professionals	630	634	634	639	660	658	681	677	647	635
Teacher Assistants	192	194	185	188	204	219	230	216	191	188
Technicians	3	4	4	4	4	5	5	5	6	7
Clerical, secretarial	57	59	56	57	64	71	68	68	70	65
Service workers	117	149	140	137	139	67	146	144	136	120
Skilled crafts	24	15	14	17	17	10	3	6	7	6
Laborers, Unskilled	-	-	-	-	-	-	-	-	-	1
Total employees	1,023	1,055	1,033	1,042	1,088	1,030	1,133	1,116	1,057	1,022

Source: North Carolina Public Schools Statistical Profile (2002-2011 Editions)

SCOTLAND COUNTY BOARD OF EDUCATION Instructional Personnel Last Ten Fiscal Years

Year Ended June 30	Teacher Salaries ⁽¹⁾			Bachelors Degree ⁽²⁾	Masters Degree ⁽²⁾	Advanced Degree ⁽²⁾	Doctorate Degree ⁽²⁾
	Minimum	Maximum	Average				
2011	\$ 30,430	\$ 64,750	\$ 47,590	323	194	1	2
2010	30,430	64,750	47,590	425	113	1	-
2009	30,430	64,750	47,590	411	127	-	-
2008	29,750	64,160	46,960	425	113	1	-
2007	28,510	61,380	43,950	415	187	6	3
2006	27,908	57,400	41,460	420	179	5	3
2005	26,757	56,280	40,850	411	176	9	3
2004	26,757	55,910	40,580	414	172	6	3
2003	25,425	55,910	40,580	413	178	8	2
2002	25,425	55,910	40,580	407	170	8	3

The above tabulation represents total salaries including both state base and the system-wide local supplement, but does not include the following:

- (a) Longevity payments, ranging from 1 1/2% to 4 1/2% of the annual salary, made to each teacher for 10 or more years of service.
- (b) Payments of varying amounts for performing extra duties.
- (c) Bonus payments

Sources:

- (1) Scotland County Board of Education Payroll Data
- (2) North Carolina Public Schools Statistical Profile (2002-2011 Editions).

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

SCOTLAND COUNTY BOARD OF EDUCATION

School Building Data
June 30, 2011

Site	Year Built	Capacity	Current Membership	Over/(Under) Capacity	Condition
Covington Street Primary	1952	284	340	20%	Fair
I. Ellis Johnson Elementary	1952	602	355	-41%	Good
Laurel Hill Elementary	1999	635	450	-29%	Excellent
North Laurinburg Elementary	1958	357	258	-28%	Fair
Pate-Gardner Elementary	1957	239	159	-33%	Fair
Shaw Elementary	1951	457	165	-64%	Fair
South Scotland Elementary	1960	353	363	3%	Good
Wagram Elementary	1983	430	329	-23%	Excellent
Washington Park Elementary	1951	358	319	-11%	Fair
Carver Middle	2000	737	498	-32%	Excellent
Spring Hill Middle	2000	737	456	-38%	Excellent
Sycamore Lane Middle	1983	731	504	-31%	Good
East Laurinburg Academy	1948	146	84	-42%	Poor
Scotland Accelerated Academy	1951	421	139	-67%	Good
Scotland High	1967	2,266	1,606	-29%	Good
Scotland Early College High ⁽¹⁾	N/A	N/A	128	N/A	N/A

N/A = Not Applicable

Source: Scotland County Schools N. C. Public Schools Facility Needs Report; 2011

Note:

(1) Early College is located at Richmond Community College

SCOTLAND COUNTY, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Year Ended June 30	2002	2003	2004	2005	2006
Population estimate (1)	35,527	35,489	36,479	36,403	36,366
Personal income (2)	\$782,608,000	\$802,409,000	\$847,286,000	\$888,389,000	\$909,453,000
Per capita income (2)	\$22,029	\$22,610	\$23,227	\$24,404	\$25,008
Median age (3)	35.46	35.82	36.12	36.37	36.34
School enrollment (4)	6,771	6,763	6,797	6,732	6,765
Unemployment rate (5)	9.8%	12.5%	11.7%	11.1%	9.5%
Year Ended June 30	2007	2008	2009	2010	2011
Population estimate (1)	36,427	36,480	36,292	36,157	N/A
Personal income (2)	\$927,081,000	\$981,339,000	\$999,642,000	N/A	N/A
Per capita income (2)	\$25,450	\$26,901	\$27,544	N/A	N/A
Median age (3)	36.59	36.56	36.77	36.81	37.81
School enrollment (4)	6,733	6,654	6,528	6,289	6,153
Unemployment rate (5)	10.8%	10.6%	16.8%	16.4%	17.1%

N/A = Not Available

Sources:

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

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2011 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2012, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2010 and June 30, 2011 income based information will be shown above as "N/A", and the June 30, 2010 information will be reported for the year ended June 30, 2012, if applicable.

SCOTLAND COUNTY, NORTH CAROLINA
Principal Employers
For Years Ended June 30, 2011 and 2004

Employer	2011			2004		
	Employees ⁽¹⁾	Rank	Approximate Percentage of Total County Employment	Employees ⁽¹⁾	Rank	Approximate Percentage of Total County Employment
Scotland County Schools	1,000+	1	9%+	1,000+	2	7%+
Scotland Memorial Hospital	500 - 999	2	7%	500 - 999	3	6%
State of NC Dept. of Correction	500 - 999	3	7%	250 - 499	9	3%
County of Scotland	250 - 499	4	3%	250 - 499	7	3%
Wal-Mart Associates, Inc.	250 - 499	5	3%	250 - 499	5	3%
Pilkington North America, Inc.	250 - 499	6	3%	250 - 499	8	3%
Associate Staffing, LLC	100 - 249	7	2%	-	-	-
Mohawk Esv, Inc.	100 - 249	8	2%	-	-	-
Meritor Heavy Vehicle Systems, LLC	100 - 249	9	2%	-	-	-
Saint Andrews Presbyterian College	100 - 249	10	2%	250 - 499	6	3%
Westpoint Stevens, Inc.	-	-	-	1,000+	1	7%+
Crestline Homes, Inc.	-	-	-	250 - 499	4	3%
Kelly Services, Inc.	-	-	-	250 - 499	10	3%
			40%+			41%+
Total County Employment ⁽²⁾	11,143			13,510		

Sources:

(1) North Carolina Chamber of Commerce - data is as of December 31st of the preceding year

(2) North Carolina Employment Security Commission

Note: This table is a ten year schedule. However, the North Carolina Chamber of Commerce does not maintain principal employer data past the fiscal year ended June 30, 2004. Therefore, current year principal employers will be compared to the fiscal year ended June 30, 2004 for each of the fiscal years ended through June 30, 2013.

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

Year Ended June 30	Governmental Activities			Business -Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Capitalized Leases	Installment Purchases	General Obligation Bonds	Installment Purchases	General Obligation Bonds			
2011	\$ -	\$ 3,879,930	\$ 8,735,000	\$ 162,257	\$ 6,598,000	\$ 19,375,187	N/A	N/A
2010	-	1,481,199	9,805,000	240,000	6,706,000	18,232,199	N/A	\$ 504
2009	-	1,923,043	10,608,000	-	6,810,500	19,341,543	1.93%	533
2008	-	2,347,767	11,510,000	-	6,909,500	20,767,267	2.12%	569
2007	-	2,322,561	12,490,000	-	7,004,500	21,817,061	2.35%	599
2006	-	2,368,049	13,470,000	-	7,095,000	22,933,049	2.52%	631
2005	-	2,738,007	14,450,000	-	7,182,000	24,370,007	2.74%	669
2004	-	3,073,032	15,430,000	-	7,209,500	25,712,532	3.03%	705
2003	13,614	3,392,556	16,410,000	-	2,042,000	21,858,170	2.72%	616
2002	-	3,697,296	17,320,000	-	2,067,000	23,084,296	2.95%	650

N/A = Not Available

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

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2011 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2012, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2010 and June 30, 2011 income based information will be shown above as "N/A", and the June 30, 2010 information will be reported for the year ended June 30, 2012, if applicable.

SCOTLAND COUNTY, NORTH CAROLINA
Principal Property Taxpayers
December 31, 2010 and December 31, 2001

Taxpayer	Type of Business	2010			2001		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Pilkington North America	Glass Production	\$ 116,745,913	1	5.96%	\$ 92,182,802	1	5.84%
Kordsa	Rubber-Cord	39,737,572	2	2.03%	-	-	-
Carrolls Realty	Real Estate	37,181,193	3	1.90%	19,808,960	4	1.25%
FCC North Carolina, Inc.	Automotive Suppliers	30,539,278	4	1.56%	-	-	-
WP Properties	Distribution	25,243,399	5	1.29%	65,649,093	2	4.16%
QualPack, LLC	Pharmaceutical	22,444,385	6	1.15%	-	-	-
Progress Energy Carolinas	Utilities	21,811,925	7	1.11%	16,573,175	6	1.05%
Bell South Long Distance, Inc.	Utilities	18,826,100	8	0.96%	17,769,498	5	1.13%
Umicore	Autocatalyst Recycling	17,167,747	9	0.88%	-	-	-
Butler Manufacturing	Industrial Manufacturer	16,185,473	10	0.83%	-	-	-
Phelps Dodge Industries	Industrial Wire Products	-	-	-	25,812,198	3	1.63%
Eaton Corporation	Golf Products	-	-	-	15,436,645	7	0.98%
Abbott Laboratories	Health Products	-	-	-	12,576,301	8	0.80%
Charles Craft, Inc.	Textiles	-	-	-	10,402,035	9	0.66%
Railroad Friction	Brake Shoes	-	-	-	9,539,910	10	0.60%
		<u>\$ 345,882,985</u>		<u>17.67%</u>	<u>\$ 285,750,617</u>		<u>18.10%</u>
Total Assessed Valuation		<u>\$ 1,959,984,600</u>			<u>\$ 1,579,230,666</u>		

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

SCOTLAND COUNTY, NORTH CAROLINA
Property Tax Levies and Current Collections
Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected
2011	\$ 20,201,575	\$ 18,739,768	92.76%
2010	19,457,817	17,922,769	92.11%
2009	19,705,329	18,321,682	92.98%
2008	20,251,067	18,989,061	93.77%
2007	20,740,546	19,498,629	94.01%
2006	20,218,022	19,075,983	94.35%
2005	20,247,692	18,719,350	92.45%
2004	18,380,807	16,957,429	92.26%
2003	17,601,194	16,647,334	94.58%
2002	17,409,898	16,481,754	94.67%

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections
2011	\$ 8,949,759	\$ 8,302,145
2010	8,927,037	8,222,774
2009	9,135,822	8,494,333
2008	9,254,881	8,678,135
2007	9,954,570	9,358,503
2006	9,964,525	9,401,667
2005	10,410,124	9,624,344
2004	9,689,408	8,939,077
2003	9,581,488	9,062,240
2002	9,677,542	9,161,620

N/A = Not Available

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

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

"An Investment in the Future"

