

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

*Financial Statements
For the Fiscal Year Ended
June 30, 2014*

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

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Scotland County Board of Education
Laurinburg, North Carolina

Report on the Financial Statements

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, 2014 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Scotland County Board of Education's basic financial statements. The individual nonmajor fund schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund schedule, budgetary schedules and the accompanying schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014 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, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scotland County Board of Education's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

September 23, 2014
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, 2014. 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, 2014, the Board's total government-wide net position decreased by \$1.5 million, or 4.2%. Governmental activities net position decreased by \$1.7 million, or 4.7%, and business-type activities net position increased by \$137,000, or 12.0%.

- Total government-wide net investment in capital assets decreased by \$1.6 million, or 4.3% from the prior year. Governmental activities net investment in capital assets decreased by \$1.5 million, or 4.3%, and business-type activities net investment in capital assets decreased by \$14,000, or 5.9%.
- Total restricted net position decreased by \$149,000, or 14.1%. Restricted net position is found only in the governmental activities.
- The Board's total government-wide unrestricted net position at June 30, 2014 increased by \$171,000 over the prior year. Governmental activities unrestricted net position increased by \$20,000 while business-type activities unrestricted net position increased by \$151,000 over the prior 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 2013-2014 fiscal year, the Board of Education received a 0.6% increase in County appropriation.

Overview of the Financial Statements

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

- *Independent Auditors' Report*
- *Management's Discussion and Analysis (required supplementary information)*
- *Basic Financial Statements*
- *Required supplemental section that presents budgetary schedules and other schedules for governmental and 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 position and the statement of activities. The statement of net position includes all of the Board's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Board's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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 position 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 position and how it has changed. Net position is 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 position 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.

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

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

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

Scotland County Board of Education has three types of funds:

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

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

Proprietary funds: Services for which the Board charges a fee are generally reported in the proprietary funds. The proprietary fund statements are reported on the same full accrual basis of accounting as the government-wide statements. The Scotland County Board of Education 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 position is an indicator of the fiscal health of the Board. Assets exceeded liabilities by \$35.5 million as of June 30, 2014 as compared to \$37.0 million as of June 30, 2013, a decrease of \$1.5 million. The largest component of net position is net investment in capital assets of \$35.1 million, which comprises 99.0% of the total net position. Following is a summary of the Statement of Net Position:

**Table 1
Condensed Statement of Net Position
As of June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Current assets	\$ 5,145,458	\$ 5,753,150	\$ 1,213,607	\$ 1,064,946	\$ 6,359,065	\$ 6,818,096
Capital assets	<u>35,074,776</u>	<u>36,810,426</u>	<u>232,211</u>	<u>246,665</u>	<u>35,306,987</u>	<u>37,057,091</u>
Total assets	<u>40,220,234</u>	<u>42,563,576</u>	<u>1,445,818</u>	<u>1,311,611</u>	<u>41,666,052</u>	<u>43,875,187</u>
Current liabilities	4,022,605	4,438,645	144,243	131,440	4,166,848	4,570,085
Long-term liabilities	<u>2,012,790</u>	<u>2,260,903</u>	<u>20,810</u>	<u>36,122</u>	<u>2,033,600</u>	<u>2,297,025</u>
Total liabilities	<u>6,035,395</u>	<u>6,699,548</u>	<u>165,053</u>	<u>167,562</u>	<u>6,200,448</u>	<u>6,867,110</u>
Net investment in capital assets	34,888,790	36,438,455	232,211	246,665	35,121,001	36,685,120
Restricted net position	910,996	1,060,468	-	-	910,996	1,060,468
Unrestricted net position (deficit)	<u>(1,614,947)</u>	<u>(1,634,895)</u>	<u>1,048,554</u>	<u>897,384</u>	<u>(566,393)</u>	<u>(737,511)</u>
Total net position	<u>\$ 34,184,839</u>	<u>\$ 35,864,028</u>	<u>\$ 1,280,765</u>	<u>\$ 1,144,049</u>	<u>\$ 35,465,604</u>	<u>\$ 37,008,077</u>

The net position of the Board's governmental activities was \$34.2 million at June 30, 2014, a decrease of \$1.7 million from the \$35.9 million reported at June 30, 2013, indicating a decline in the financial condition of the Board. This decrease is mainly attributable to a \$1.5 million decrease in net investment in capital assets. The decrease in net investment in capital assets is due to an excess of depreciation expense over capital additions for the year.

The net position of the Board's business-type activities was \$1.3 million at June 30, 2014 and \$1.1 million at June 30, 2013, an increase of \$137,000. This \$137,000 is the amount of net profit generated by the Board's school food service operations for the 2013-2014 fiscal year.

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

The following table shows the revenues and expenses of the Board for the current and prior fiscal years:

**Table 2
Condensed Statement of Activities
For the Fiscal Years Ended June 30, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Revenues:						
Program revenues:						
Charges for services	\$ 1,278,230	\$ 1,255,087	\$ 538,734	\$ 584,341	\$ 1,816,964	\$ 1,839,428
Operating grants and contributions	43,016,281	44,125,109	3,030,109	3,262,049	46,046,390	47,387,158
Capital grants and contributions	185,985	570,948	-	-	185,985	570,948
General revenues:						
County appropriations	10,337,325	10,335,654	-	-	10,337,325	10,335,654
State appropriations	3,817,788	4,055,521	-	-	3,817,788	4,055,521
Other revenues	599,280	556,685	3,414	1,972	602,694	558,657
Total revenues	59,234,889	60,899,004	3,572,257	3,848,362	62,807,146	64,747,366
Expenses:						
Governmental activities:						
Instructional services	46,706,197	50,422,505	-	-	46,706,197	50,422,505
System-wide support services	14,042,012	13,866,711	-	-	14,042,012	13,866,711
Ancillary services	38,127	41,819	-	-	38,127	41,819
Payments to other governments	11,736	10,690	-	-	11,736	10,690
Unallocated depreciation	71,005	95,222	-	-	71,005	95,222
Business-type activities:						
School food service	-	-	3,480,542	3,824,003	3,480,542	3,824,003
Total expenses	60,869,077	64,436,947	3,480,542	3,824,003	64,349,619	68,260,950
Excess (deficiency)						
before transfers	(1,634,188)	(3,537,943)	91,715	24,359	(1,542,473)	(3,513,584)
Transfers in (out)	(45,001)	(45,000)	45,001	45,000	-	-
Change in net position	(1,679,189)	(3,582,943)	136,716	69,359	(1,542,473)	(3,513,584)
Beginning net position	35,864,028	39,446,971	1,144,049	1,074,690	37,008,077	40,521,661
Ending net position	\$ 34,184,839	\$ 35,864,028	\$ 1,280,765	\$ 1,144,049	\$ 35,465,604	\$ 37,008,077

Total governmental activities generated revenues of \$59.2 million while expenses in this category totaled \$60.9 million for the year ended June 30, 2014, resulting in the aforementioned decrease in net position of \$1.7 million (including transfers to business-type activities of \$45,000). Comparatively, revenues were \$60.9 million, expenses totaled \$64.4 million and transfers out were \$45,000 for the year ended June 30, 2013, resulting in a decrease in net position of \$3.6 million. In comparing the two periods, the year-over-year improvement was \$1.9 million. This improvement is primarily attributable to a \$3.7 million decrease in instructional services expenditures, offset partially by a \$1.1 million decrease in operating grants and

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

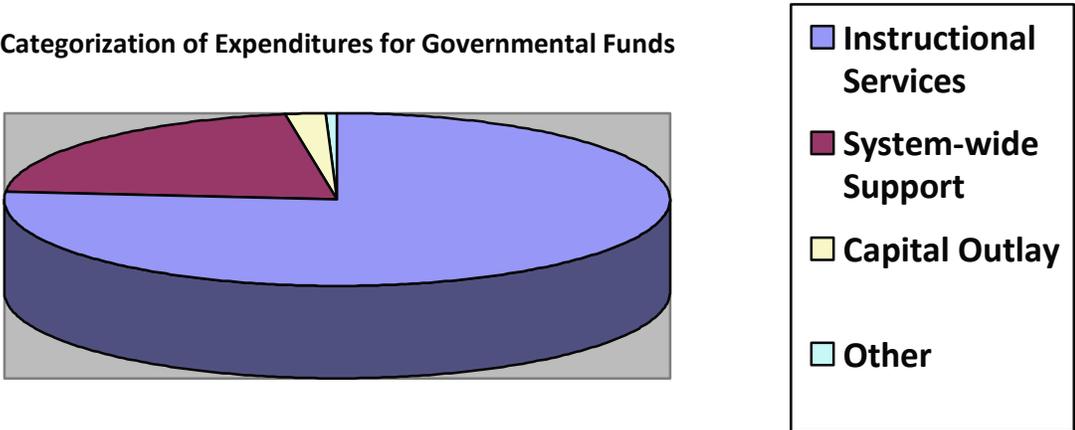
contributions revenue. The decrease in operating grants and contributions revenues was largely attributable to a combined \$1.5 million decline in State Public School Fund and Federal Grants Fund revenues. The \$3.7 million decrease in instructional services expenditures is primarily attributable to the district lowering the percentage employed for teacher assistants from 100% to 83% and also implementing a reduction in force of 30 teacher assistants.

The Board's primary sources of revenues were funding from the State of North Carolina, Scotland County, and the United States Government, which respectively comprised 68.0%, 17.4% and 10.0% of our total governmental activities revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 76.7% of our total expenditures during the most recent fiscal year. Of the remaining 23.3% of our total expenditures, 23.1% was attributable to system-wide support services.

Our business-type activities generated revenues of \$3.6 million, while expenses in this category totaled \$3.5 million for the year ended June 30, 2014. For the year, net position increased by \$137,000, including \$45,000 of transfers from governmental activities. Comparatively, revenues were \$3.8 million, expenses were \$3.8 million and transfers from governmental activities were \$45,000 for the year ended June 30, 2013 for an increase in net position of \$69,000. In comparing the two years, revenues decreased \$276,000 while expenses decreased by \$343,000. Food purchases, salaries and benefits and indirect costs combined for a \$363,000 decrease in expenses while food sales and federal reimbursements revenues declined by a total of \$309,000. These declines are mainly attributable to a reduction in the district's ADM which directly led to a decline in overall meal participation, USDA reimbursements, a la carte sales, vending revenues and food 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 \$2.9 million at June 30, 2014, a decrease of \$67,000 from the \$3.0 million reported at June 30, 2013. The Board's General Fund reported an increase in fund balance for the year of \$120,000 while the Capital Outlay Fund reported a decrease of \$197,000. The Individual Schools Fund reported a slight increase in fund balance of \$10,000 over the prior year. There were no significant changes in revenues or expenditures reported for the Capital Outlay and Individual Schools funds compared to the prior year. See the section below titled *General Fund Budgetary Highlights* for more discussion regarding amounts reported in the General Fund. The State Public School Fund and Federal Grants Fund do not carry fund balance. All revenues are expended in the year received. Revenues and expenditures in these two funds remained fairly consistent with the amounts reported in the prior year.



Expenditures presented on modified accrual basis of accounting.

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

Proprietary Fund: The Board's business-type fund, the School Food Service Fund, reported an increase in net position of \$137,000 for the fiscal year ended June 30, 2014 compared to an increase of \$69,000 for the same 2013 period. See the section above titled *Financial Analysis of the Board as a Whole* for more discussion regarding the Board's School Food Service Fund operations for the year ended June 30, 2014.

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 \$413,000 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 \$120,000. Revenues decreased \$95,000 from the prior year while expenditures decreased \$1.9 million, or 12.7%. The decrease is from the elimination of 3.5 certified positions, various administrative positions, various pay supplements, repositioning of our drop-out prevention program, mentoring program, reduction in force with teacher assistants, and the reduction of employment for the remaining teacher assistants from 100% to 83%.

Capital Assets

Total primary government capital assets were \$35.3 million at June 30, 2014 compared to \$37.1 million at June 30, 2013, a decrease of 4.7%. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2014 and 2013. 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, 2014 and 2013**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/14	6/30/13	6/30/14	6/30/13	6/30/14	6/30/13
Land	\$ 467,029	\$ 467,029	\$ -	\$ -	\$ 467,029	\$ 467,029
Buildings and improvements	33,376,301	34,551,168	-	-	33,376,301	34,551,168
Equipment and furniture	211,885	282,890	232,211	246,665	444,096	529,555
Vehicles	1,019,561	1,509,339	-	-	1,019,561	1,509,339
Total	<u>\$ 35,074,776</u>	<u>\$ 36,810,426</u>	<u>\$ 232,211</u>	<u>\$ 246,665</u>	<u>\$ 35,306,987</u>	<u>\$ 37,057,091</u>

Debt Outstanding

During the year, the Board's long-term debt decreased by \$186,000 from \$372,000 at June 30, 2013 to \$186,000 at June 30, 2014. 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

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

- Scotland County's unemployment rate continues to be higher than the national and State averages.
- The County Commissioners work diligently to attract manufacturing companies through various incentive programs that are run through the Scotland County Economic Development Program along with the Chamber of Commerce. Evidence of this is since 2009 there has been \$195 million dollars in new investment and 500 new jobs. It continues to be more difficult for rural counties to bring in new jobs and recruit companies.
- In June of 2014 the Scotland County Board of Education and the Scotland County Board of Commissioners met in mediation to discuss a General Statute mandated funding formula (only binding funding formula in the state of North Carolina) that has been in place since the 1960's. There was also negotiation about the funding for the FY 2014-15. In that mediation it was agreed that the county would fund Scotland County Schools at a negotiated rate for FY 2014-15 and 2015-16, different from the funding formula and that there would be a committee created to make a recommendation about a new funding agreement.

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 certified 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:

Jay Toland, Chief Financial Officer
Scotland County Board of Education
322 South Main Street
Laurinburg, NC 28352

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
June 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 3,079,254	\$ 1,217,533	\$ 4,296,787
Due from other governments	1,825,749	60,604	1,886,353
Receivables	92,139	192	92,331
Internal balances	148,316	(148,316)	-
Inventories	-	83,594	83,594
Capital assets:			
Land	467,029	-	467,029
Other capital assets, net of depreciation	34,607,747	232,211	34,839,958
Total capital assets	<u>35,074,776</u>	<u>232,211</u>	<u>35,306,987</u>
 Total assets	 <u>40,220,234</u>	 <u>1,445,818</u>	 <u>41,666,052</u>
Liabilities			
Accounts payable and accrued expenses	430,839	15,147	445,986
Accrued salaries and wages payable	1,777,973	67,086	1,845,059
Unearned revenue	-	10,613	10,613
Long-term liabilities:			
Due within one year	1,813,793	51,397	1,865,190
Due in more than one year	<u>2,012,790</u>	<u>20,810</u>	<u>2,033,600</u>
 Total liabilities	 <u>6,035,395</u>	 <u>165,053</u>	 <u>6,200,448</u>
Net position			
Net investment in capital assets	34,888,790	232,211	35,121,001
Restricted for:			
Stabilization by State statute	413,945	-	413,945
School capital outlay	59,318	-	59,318
Instructional services	22,989	-	22,989
Individual schools activities	414,744	-	414,744
Unrestricted (deficit)	<u>(1,614,947)</u>	<u>1,048,554</u>	<u>(566,393)</u>
 Total net position	 <u>\$ 34,184,839</u>	 <u>\$ 1,280,765</u>	 <u>\$ 35,465,604</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, 2014

Exhibit 3

	Major Funds				Non-major Fund	Total
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,605,192	\$ -	\$ -	\$ 59,318	\$ 414,744	\$ 3,079,254
Due from other governments	173,490	1,533,028	119,231	-	-	1,825,749
Accounts receivable	92,139	-	-	-	-	92,139
Due from other funds	148,316	-	-	-	-	148,316
Total assets	<u>\$ 3,019,137</u>	<u>\$ 1,533,028</u>	<u>\$ 119,231</u>	<u>\$ 59,318</u>	<u>\$ 414,744</u>	<u>\$ 5,145,458</u>
Liabilities and Fund balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 430,839	\$ -	\$ -	\$ -	\$ -	\$ 430,839
Accrued salaries and wages payable	125,714	1,533,028	119,231	-	-	1,777,973
Total liabilities	<u>556,553</u>	<u>1,533,028</u>	<u>119,231</u>	<u>-</u>	<u>-</u>	<u>2,208,812</u>
Fund balances:						
Restricted:						
Stabilization by State statute	413,945	-	-	-	-	413,945
School capital outlay	-	-	-	59,318	-	59,318
Instructional services	22,989	-	-	-	-	22,989
Individual schools	-	-	-	-	414,744	414,744
Assigned:						
Subsequent year's expenditures	150,000	-	-	-	-	150,000
Unassigned	1,875,650	-	-	-	-	1,875,650
Total fund balances	<u>2,462,584</u>	<u>-</u>	<u>-</u>	<u>59,318</u>	<u>414,744</u>	<u>2,936,646</u>
Total liabilities and fund balances	<u>\$ 3,019,137</u>	<u>\$ 1,533,028</u>	<u>\$ 119,231</u>	<u>\$ 59,318</u>	<u>\$ 414,744</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	35,074,776
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>(3,826,583)</u>
Net position of governmental activities	<u>\$ 34,184,839</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, 2014

Exhibit 4

	Major Funds				Non-major Fund	Total
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	Governmental Funds
Revenues:						
State of North Carolina	\$ 1,194,236	\$ 38,767,917	\$ -	\$ 558,985	\$ -	\$ 40,521,138
Scotland County	10,139,325	-	-	198,000	-	10,337,325
U.S. Government	661,712	-	5,323,382	-	-	5,985,094
Other	1,131,958	-	-	321,223	1,271,393	2,724,574
Total revenues	<u>13,127,231</u>	<u>38,767,917</u>	<u>5,323,382</u>	<u>1,078,208</u>	<u>1,271,393</u>	<u>59,568,131</u>
Expenditures:						
Current:						
Instructional services:						
Regular instructional	3,512,722	20,800,340	738,351	-	-	25,051,413
Special populations	275,864	5,320,015	761,273	-	-	6,357,152
Alternative programs	1,469,342	1,200,673	2,415,695	-	-	5,085,710
School leadership	1,034,996	2,481,717	875	-	-	3,517,588
Co-curricular	287,528	-	-	-	1,261,123	1,548,651
School-based support	510,598	3,352,271	58,969	-	-	3,921,838
System-wide support services:						
Support and development	754,496	142,800	42,296	-	-	939,592
Special population support and development	55,480	188,056	581,997	-	-	825,533
Alternative programs and services support and development	34,560	57,542	246,599	-	-	338,701
Technology support	120,655	403,526	64,626	-	-	588,807
Operational support	3,478,719	3,595,199	127,070	-	-	7,200,988
Financial and human resource services	690,279	516,922	163,484	-	-	1,370,685
Accountability	41,712	68,709	-	-	-	110,421
System-wide pupil support	-	61,120	-	-	-	61,120
Policy, leadership and public relations	701,495	522,853	-	-	-	1,224,348
Ancillary services	26,954	11,173	-	-	-	38,127
Non-programmed charges	11,736	-	122,147	-	-	133,883
Debt service:						
Principal retirement	-	-	-	185,985	-	185,985
Capital outlay	-	-	-	1,089,500	-	1,089,500
Total expenditures	<u>13,007,136</u>	<u>38,722,916</u>	<u>5,323,382</u>	<u>1,275,485</u>	<u>1,261,123</u>	<u>59,590,042</u>
Revenues over (under) expenditures	120,095	45,001	-	(197,277)	10,270	(21,911)
Other financing uses:						
Transfers to other funds	-	(45,001)	-	-	-	(45,001)
Net change in fund balance	120,095	-	-	(197,277)	10,270	(66,912)
Fund balances:						
Beginning of year	<u>2,342,489</u>	<u>-</u>	<u>-</u>	<u>256,595</u>	<u>404,474</u>	<u>3,003,558</u>
End of year	<u>\$ 2,462,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,318</u>	<u>\$ 414,744</u>	<u>\$ 2,936,646</u>

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

SCOTLAND COUNTY BOARD OF EDUCATION **Exhibit 5**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

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

Net changes in fund balances - total governmental funds \$ (66,912)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (1,735,650)

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 position. Also, governmental funds report the effect of 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. 185,985

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
 Compensated absences (62,612)

Total changes in net position of governmental activities \$ (1,679,189)

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, 2014

Exhibit 6

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 1,198,810	\$ 1,281,178	\$ 1,194,236	\$ (86,942)
Scotland County	10,139,325	10,139,325	10,139,325	-
U.S. Government	408,012	706,301	661,712	(44,589)
Other	<u>597,000</u>	<u>629,495</u>	<u>1,131,958</u>	<u>502,463</u>
Total revenues	<u>12,343,147</u>	<u>12,756,299</u>	<u>13,127,231</u>	<u>370,932</u>
Expenditures:				
Current:				
Instructional services	7,306,686	7,414,975	7,091,050	323,925
System-wide support services	5,625,476	5,898,975	5,877,396	21,579
Ancillary services	-	30,000	26,954	3,046
Non-programmed charges	<u>10,985</u>	<u>12,349</u>	<u>11,736</u>	<u>613</u>
Total expenditures	<u>12,943,147</u>	<u>13,356,299</u>	<u>13,007,136</u>	<u>349,163</u>
Revenues over (under) expenditures	(600,000)	(600,000)	120,095	720,095
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>600,000</u>	<u>600,000</u>	-	<u>(600,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	120,095	<u>\$ 120,095</u>
Fund balances:				
Beginning of year			<u>2,342,489</u>	
End of year			<u>\$ 2,462,584</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, 2014

	State Public School Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 37,234,826	\$ 39,630,304	\$ 38,767,917	\$ (862,387)
Scotland County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>37,234,826</u>	<u>39,630,304</u>	<u>38,767,917</u>	<u>(862,387)</u>
Expenditures:				
Current:				
Instructional services	32,330,473	33,534,583	33,155,016	379,567
System-wide support services	4,859,351	6,030,719	5,556,727	473,992
Ancillary services	1	20,001	11,173	8,828
Non-programmed charges	-	-	-	-
Total expenditures	<u>37,189,825</u>	<u>39,585,303</u>	<u>38,722,916</u>	<u>862,387</u>
Revenues over (under) expenditures	45,001	45,001	45,001	-
Other financing uses:				
Transfers to other funds	(45,001)	(45,001)	(45,001)	-
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, 2014

	Federal Grants Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Scotland County	-	-	-	-
U.S. Government	978,071	6,283,792	5,323,382	(960,410)
Other	-	-	-	-
Total revenues	<u>978,071</u>	<u>6,283,792</u>	<u>5,323,382</u>	<u>(960,410)</u>
Expenditures:				
Current:				
Instructional services	947,739	4,382,394	3,975,163	407,231
System-wide support services	8,188	1,335,221	1,226,072	109,149
Ancillary services	-	-	-	-
Nonprogrammed charges	<u>22,144</u>	<u>566,177</u>	<u>122,147</u>	<u>444,030</u>
Total expenditures	<u>978,071</u>	<u>6,283,792</u>	<u>5,323,382</u>	<u>960,410</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 POSITION
PROPRIETARY FUND TYPE
June 30, 2014

Exhibit 7

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,217,533
Due from other governments	60,604
Receivables	192
Inventories	<u>83,594</u>
Total current assets	<u>1,361,923</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>232,211</u>
Total assets	<u>1,594,134</u>
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	15,147
Accrued salaries and wages payable	67,086
Due to other funds	148,316
Compensated absences	51,397
Unearned revenue	<u>10,613</u>
Total current liabilities	<u>292,559</u>
Noncurrent liabilities:	
Compensated absences	<u>20,810</u>
Total liabilities	<u>313,369</u>
Net position	
Net investment in capital assets	232,211
Unrestricted	<u>1,048,554</u>
Total net position	<u>\$ 1,280,765</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 POSITION
PROPRIETARY FUND TYPE
For the Fiscal Year Ended June 30, 2014

Exhibit 8

	Enterprise Fund
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Operating revenues:	
Food sales	\$ 538,734
Operating expenses:	
Food cost:	
Purchase of food	1,024,728
Donated commodities	268,486
Salaries and benefits	1,742,067
Indirect costs	211,095
Materials and supplies	105,118
Repairs and maintenance	33,518
Depreciation	45,320
Non-capitalized equipment	2,375
Contracted services	13,652
Other	34,183
Total operating expenses	<u>3,480,542</u>
Operating loss	<u>(2,941,808)</u>
Nonoperating revenues:	
Federal reimbursements	2,756,452
Federal commodities	268,486
State reimbursements	5,171
Interest earned	1,562
Other	1,852
Total nonoperating revenues	<u>3,033,523</u>
Income before transfers	91,715
Transfers from other funds	<u>45,001</u>
Change in net position	136,716
Net position, beginning of year	<u>1,144,049</u>
Net position, end of year	<u>\$ 1,280,765</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, 2014

Exhibit 9

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 538,634
Cash paid for goods and services	(1,442,215)
Cash paid to employees for services	(1,713,113)
Net cash used by operating activities	<u>(2,616,694)</u>
Cash flows from noncapital financing activities:	
Due to other funds	90,416
Federal and State reimbursements	2,773,492
Other	1,852
Net cash provided by noncapital financing activities	<u>2,865,760</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(30,866)</u>
Cash flows from investing activities:	
Interest earned on investments	1,562
Net increase in cash and cash equivalents	219,762
Cash and cash equivalents, beginning of year	997,771
Cash and cash equivalents, end of year	<u>\$ 1,217,533</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (2,941,808)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	45,320
Donated commodities	268,486
Salaries paid by other funds	45,001
Changes in assets and liabilities:	
Increase in accounts receivable	(63)
Increase in inventories	(31,121)
Increase in accounts payable and accrued liabilities	13,575
Decrease in accrued salaries and wages payable	(2,220)
Decrease in unearned revenue	(37)
Decrease in compensated absences payable	(13,827)
Total adjustments	<u>325,114</u>
Net cash used by operating activities	<u>\$ (2,616,694)</u>

NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:

The School Food Service Fund received donated commodities with a value of \$268,486 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$45,001 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 POSITION
FIDUCIARY FUND
June 30, 2014**

Exhibit 10

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ <u>198,617</u>
Liabilities	
Accounts payable and accrued liabilities	\$ <u>-</u>
Net position	
Assets held in trust for private purpose	\$ <u><u>198,617</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 POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2014

Exhibit 11

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions and other revenue	\$ 2,825
Deductions:	
Instructional costs	<u>8,500</u>
Change in net position	(5,675)
Beginning net position	<u>204,292</u>
Ending net position	<u>\$ 198,617</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, 2014

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

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

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

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

The Board reports the following major governmental funds:

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

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

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

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

The Board reports the following 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 is both restricted and unrestricted net position 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.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 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.

**SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

4. Capital Assets

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

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

Scotland County holds title to certain properties, which are reflected as capital assets in the financial statements of the Board. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board gives the schools full use of the facilities, full responsibility for maintenance of the facilities, and provides that the County will convey title of the property back to the Board, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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, 2014 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.

SCOTLAND COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

7. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents 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.

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 instructional services – grant and other revenues restricted for expenditure for various instructional services, as allowable by the funding source.

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 pay expenditures from restricted revenue sources first and then from general unrestricted revenues.

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 position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. The net adjustment of \$31,248,193 consists of several elements as follows:

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<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)	\$ 67,841,529
Less accumulated depreciation	<u>(32,766,753)</u>
Net capital assets	35,074,776
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	(185,986)
Compensated absences	<u>(3,640,597)</u>
Total adjustment	<u>\$ 31,248,193</u>

b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(1,612,277) as follows:

<u>Description</u>	<u>Amount</u>
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	(1,735,650)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	185,985
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>(62,612)</u>
Total adjustment	<u>\$ (1,612,277)</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.

SCOTLAND COUNTY BOARD OF EDUCATION
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The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2014, the Board had deposits with banks and savings and loans with a carrying amount of \$3,127,917 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$4,341,407 and \$77,117, respectively. Of these balances, \$672,490 was covered by federal depository insurance and \$3,746,034 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2014, the Board had \$1,367,487 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.3 years at June 30, 2014. The Board has no policy for managing interest rate, credit, concentration or foreign currency risks.

3. Accounts Receivable

Receivables at the government-wide level at June 30, 2014 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 148,316	\$ 173,490	\$ 92,139	\$ 413,945
Other governmental activities	-	1,652,259	-	1,652,259
Total governmental activities	<u>\$ 148,316</u>	<u>\$ 1,825,749</u>	<u>\$ 92,139</u>	<u>\$ 2,066,204</u>
Business-type activities:				
School Food Service Fund	\$ (148,316)	\$ 60,604	\$ 192	\$ (87,520)

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 173,490	Federal and State grant funds and amounts due from County
State Public School Fund	1,533,028	Operating funds from DPI
Federal Grants Fund	<u>119,231</u>	Federal grants funds
Total	<u>\$ 1,825,749</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 60,604</u>	Federal funds

SCOTLAND COUNTY BOARD OF EDUCATION
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4. Capital Assets

Capital asset activity for the year ended June 30, 2014 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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>467,029</u>	<u>-</u>	<u>-</u>	<u>467,029</u>
Capital assets being depreciated:				
Buildings and improvements	56,522,001	-	-	56,522,001
Equipment and furniture	2,227,541	-	-	2,227,541
Vehicles	<u>8,624,958</u>	<u>-</u>	<u>-</u>	<u>8,624,958</u>
Total capital assets being depreciated	<u>67,374,500</u>	<u>-</u>	<u>-</u>	<u>67,374,500</u>
Less accumulated depreciation for:				
Buildings and improvements	21,970,833	1,174,867	-	23,145,700
Equipment and furniture	1,944,651	71,005	-	2,015,656
Vehicles	<u>7,115,619</u>	<u>489,778</u>	<u>-</u>	<u>7,605,397</u>
Total accumulated depreciation	<u>31,031,103</u>	<u>1,735,650</u>	<u>-</u>	<u>32,766,753</u>
Total capital assets being depreciated, net	<u>36,343,397</u>			<u>34,607,747</u>
Governmental activity capital assets, net	<u>\$ 36,810,426</u>			<u>\$ 35,074,776</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	\$ 1,115,218	\$ 30,866	\$ 10,890	\$ 1,135,194
Less accumulated depreciation for:				
Equipment, furniture and vehicles	<u>868,553</u>	<u>45,320</u>	<u>10,890</u>	<u>902,983</u>
School Food Service capital assets, net	<u>\$ 246,665</u>			<u>\$ 232,211</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,174,867
System-wide support services	489,778
Unallocated depreciation	<u>71,005</u>
Total	<u>\$ 1,735,650</u>

SCOTLAND COUNTY BOARD OF EDUCATION
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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 8.69% 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, 2014, 2013 and 2012 were \$2,942,782, \$3,066,703 and \$2,690,352, respectively, equal to the required contributions for each year.

b. Other Postemployment Benefits

Healthcare Benefits

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

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

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

SCOTLAND COUNTY BOARD OF EDUCATION
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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, 2014, 2013 and 2012, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,828,656, \$1,951,204 and \$1,808,032, respectively. These contributions represented 5.40%, 5.30% and 5.00% 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 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

SCOTLAND COUNTY BOARD OF EDUCATION
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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, 2014, 2013 and 2012, the Board paid all annual required contributions to the DIPNC for disability benefits of \$149,002, \$161,987 and \$188,035, respectively. These contributions represented 0.44%, 0.44% and 0.52% of covered payroll, respectively.

2. Accounts Payable

Accounts payable as of June 30, 2014 are as follows:

	<u>Vendors and Other</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 430,839	\$ 125,714	\$ 556,553
Other governmental activities	<u>-</u>	<u>1,652,259</u>	<u>1,652,259</u>
Total governmental activities	<u>\$ 430,839</u>	<u>\$ 1,777,973</u>	<u>\$ 2,208,812</u>
Business-type activities:			
School Food Service Fund	<u>\$ 15,147</u>	<u>\$ 67,086</u>	<u>\$ 82,233</u>

3. Unearned Revenues

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

Business-type activities:	
Prepayments of meals (School Food Service Fund)	<u>\$ 10,613</u>

SCOTLAND COUNTY BOARD OF EDUCATION
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4. Risk Management

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

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

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 2011-2012 fiscal year, the Board entered into such a financing contract for the purchase of school buses. The financing contract requires four equal principal-only payments of \$185,985 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.

SCOTLAND COUNTY BOARD OF EDUCATION
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The future minimum payments of the installment purchases as of June 30, 2014 are as follows:

Year Ending June 30:	<u>Governmental Activities</u> <u>Principal</u>
2015	<u>\$ 185,986</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, 2014:

	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 371,971	\$ -	\$ 185,985	\$ 185,986	\$ 185,986
Compensated absences	<u>3,577,985</u>	<u>2,141,093</u>	<u>2,078,481</u>	<u>3,640,597</u>	<u>1,627,807</u>
Total governmental activities	<u>\$ 3,949,956</u>	<u>\$ 2,141,093</u>	<u>\$ 2,264,466</u>	<u>\$ 3,826,583</u>	<u>\$ 1,813,793</u>
Business-type activities:					
Compensated absences	<u>\$ 86,034</u>	<u>\$ 73,610</u>	<u>\$ 87,437</u>	<u>\$ 72,207</u>	<u>\$ 51,397</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

From the State Public School Fund to the School Food Service Fund
for administrative costs \$ 45,001

2. Interfund Balances

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	<u>\$ 148,316</u>

The amount due to the General Fund from the School Food Service Fund is for workers compensation insurance and indirect cost expense owed for the 2013 – 2014 fiscal year. This amount is expected to be paid prior to June 30, 2015.

SCOTLAND COUNTY BOARD OF EDUCATION
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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	\$ 2,462,584
Less:	
Stabilization by State statute	(413,945)
Restricted for instructional services	(22,989)
Appropriated fund balance in 2014-2015 budget	<u>(150,000)</u>
Remaining fund balance	<u>\$ 1,875,650</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
NC Pre- Kindergarten Program	\$ 1,281,178	\$ 1,194,236	\$ (86,942)
Scotland County:			
County appropriation	10,139,325	10,139,325	-
U.S. Government:			
Gear Up NC Grant	253,399	233,681	(19,718)
Indian Education	178,024	174,194	(3,830)
Workforce Investment Act	219,878	180,312	(39,566)
ROTC	55,000	73,525	18,525
Total U.S. Government	706,301	661,712	(44,589)
Other:			
Fines and forfeitures	-	10,016	10,016
Interest earned on investment	25,000	5,880	(19,120)
Indirect costs allocated	250,000	342,125	92,125
Private grants and programs	36,495	113,766	77,271
Rental of school property	8,000	6,837	(1,163)
Medicaid reimbursement program	225,000	513,822	288,822
Other refunds and reimbursements	20,000	-	(20,000)
Miscellaneous	65,000	139,512	74,512
Total other	629,495	1,131,958	502,463
Total revenues	12,756,299	13,127,231	370,932
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	3,512,722	-
Special populations	-	275,864	-
Alternative programs	-	1,469,342	-
School leadership	-	1,034,996	-
Co-curricular	-	287,528	-
School-based support	-	510,598	-
Total instructional services	7,414,975	7,091,050	323,925

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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
System-wide support services:			
Support and development	-	754,496	-
Special population support and development	-	55,480	-
Alternative programs and services support and development	-	34,560	-
Technology support	-	120,655	-
Operational support	-	3,478,719	-
Financial and human resource services	-	690,279	-
Accountability	-	41,712	-
System-wide pupil support	-	-	-
Policy, leadership and public relations	-	701,495	-
Total system-wide support services	<u>5,898,975</u>	<u>5,877,396</u>	<u>21,579</u>
Ancillary services:			
Nutrition	<u>30,000</u>	<u>26,954</u>	<u>3,046</u>
Non-programmed charges			
Payments to other governments	<u>12,349</u>	<u>11,736</u>	<u>613</u>
Total expenditures	<u>13,356,299</u>	<u>13,007,136</u>	<u>349,163</u>
Revenues over (under) expenditures	(600,000)	120,095	720,095
Fund balance appropriated	<u>600,000</u>	<u>-</u>	<u>(600,000)</u>
Net change in fund balance	<u>\$ -</u>	120,095	<u>\$ 120,095</u>
Fund balance:			
Beginning of year		<u>2,342,489</u>	
End of year		<u>\$ 2,462,584</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, 2014

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2013	Fund balances June 30, 2014
Scotland High	\$ 678,645	\$ 625,260	\$ 53,385	\$ 168,512	\$ 221,897
Carver Middle	49,506	58,089	(8,583)	25,110	16,527
Spring Hill Middle	105,094	116,812	(11,718)	20,270	8,552
Sycamore Lane Middle	115,392	116,453	(1,061)	18,397	17,336
I. Ellis Johnson Elementary	9,827	30,073	(20,246)	29,146	8,900
Covington Street Primary	53,563	53,100	463	10,885	11,348
Laurel Hill Elementary	36,468	51,730	(15,262)	38,067	22,805
North Laurinburg Elementary	27,546	27,596	(50)	2,796	2,746
Pate-Gardner Elementary	12,768	14,082	(1,314)	13,641	12,327
South Scotland Elementary	61,866	55,349	6,517	40,958	47,475
Wagram Elementary	46,178	46,135	43	8,227	8,270
Washington Park Elementary	39,194	40,663	(1,469)	16,631	15,162
Shaw Academy	1,106	2,213	(1,107)	2,086	979
Scotland Early College	<u>34,240</u>	<u>23,568</u>	<u>10,672</u>	<u>9,748</u>	<u>20,420</u>
Totals	<u>\$ 1,271,393</u>	<u>\$ 1,261,123</u>	<u>\$ 10,270</u>	<u>\$ 404,474</u>	<u>\$ 414,744</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 185,985	\$ 185,985	\$ -
Public School Capital Fund - Lottery	<u>670,000</u>	<u>373,000</u>	<u>(297,000)</u>
Total State of North Carolina	<u>855,985</u>	<u>558,985</u>	<u>(297,000)</u>
Scotland County:			
County appropriations	<u>198,000</u>	<u>198,000</u>	<u>-</u>
Other:			
Fines and forfeitures	275,000	209,461	(65,539)
Miscellaneous	<u>-</u>	<u>111,762</u>	<u>111,762</u>
Total other	<u>275,000</u>	<u>321,223</u>	<u>46,223</u>
Total revenues	<u>1,328,985</u>	<u>1,078,208</u>	<u>(250,777)</u>
Expenditures:			
Debt service:			
Principal retirement	<u>185,985</u>	<u>185,985</u>	<u>-</u>
Capital Outlay:			
Buildings and improvements:			
Pate Gardner roof replacement - Lottery	-	283,000	-
Washington Park roof replacement - Lottery	-	50,000	-
Covington Street parking lot - Lottery	-	40,000	-
Other real property and buildings	<u>-</u>	<u>585,408</u>	<u>-</u>
Total buildings and improvements	<u>1,002,949</u>	<u>958,408</u>	<u>44,541</u>
Furnishings and equipment	<u>346,638</u>	<u>131,092</u>	<u>215,546</u>
Total capital outlay	<u>1,349,587</u>	<u>1,089,500</u>	<u>260,087</u>
Total expenditures	<u>1,535,572</u>	<u>1,275,485</u>	<u>260,087</u>
Revenues under expenditures	(206,587)	(197,277)	9,310
Fund balance appropriated	<u>206,587</u>	<u>-</u>	<u>(206,587)</u>
Net change in fund balance	<u>\$ -</u>	<u>(197,277)</u>	<u>\$ (197,277)</u>
Fund balance:			
Beginning of year		<u>256,595</u>	
End of year		<u>\$ 59,318</u>	

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2014

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 632,000	\$ 538,734	\$ (93,266)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,055,849	-
Donated commodities	-	268,486	-
Salaries and benefits	-	1,755,894	-
Indirect costs	-	211,095	-
Materials and supplies	-	105,118	-
Repairs and maintenance	-	33,518	-
Non-capitalized equipment	-	2,375	-
Contracted services	-	13,652	-
Other	-	34,183	-
Capital outlay	-	30,866	-
Total operating expenditures	<u>3,977,900</u>	<u>3,511,036</u>	<u>466,864</u>
Operating loss	<u>(3,345,900)</u>	<u>(2,972,302)</u>	<u>373,598</u>
Nonoperating revenues:			
Federal reimbursements	3,073,700	2,756,452	(317,248)
Federal commodities	270,000	268,486	(1,514)
State reimbursements	-	5,171	5,171
Interest earned	1,500	1,562	62
Other	700	1,852	1,152
Total nonoperating revenues	<u>3,345,900</u>	<u>3,033,523</u>	<u>(312,377)</u>
Excess of revenues over expenditures before other financing sources	-	61,221	61,221
Other financing sources:			
Transfers from other funds	-	45,001	45,001
Net change in fund balance	<u>\$ -</u>	106,222	<u>\$ 106,222</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(45,320)	
Equipment purchases		30,866	
Increase in compensated absences payable		13,827	
Increase in inventories		31,121	
Change in net position (full accrual)		<u>\$ 136,716</u>	



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

To the Scotland County Board of Education
Laurinburg, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scotland County Board of Education, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Scotland County Board of Education, North Carolina's basic financial statements and have issued our report thereon dated September 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Scotland County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*September 23, 2014
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

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

To the Scotland County Board of Education
Laurinburg, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Scotland County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2014. The Scotland County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Scotland County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Scotland County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Scotland County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Scotland County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Scotland County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Scotland County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Scotland County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*September 23, 2014
Rockingham, North Carolina*



ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

Report On Compliance with Requirements Applicable to Each Major State
Program and Internal Control Over Compliance in Accordance with Applicable Sections of
OMB Circular A-133 and the State Single Audit Implementation Act

To the Scotland County Board of Education
Laurinburg, North Carolina

Report on Compliance for Each Major State Program

We have audited Scotland County Board of Education, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Board's major State programs for the year ended June 30, 2014. The Scotland County Board of Education's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Scotland County Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Scotland County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Scotland County Board of Education's compliance.

Opinion on Each Major State Program

In our opinion, the Scotland County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Scotland County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Scotland County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Scotland County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Anderson Smith & Wike PLLC

*September 23, 2014
Rockingham, North Carolina*

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted *No*

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

CFDA Numbers	Names of Federal Programs or Clusters
84.010	Title I, Grants to Local Educational Agencies
84.395	Race to the Top - ARRA
	Special Education Cluster:
84.027	Grants to States – IDEA, Part B (611)
84.027	Coordinated Early Intervening Services
84.027	Special Needs Targeted Assistance
84.173	Preschool Grants – IDEA, Part B (619)
84.173	Preschool Targeted Assistance

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

Auditee qualified as low-risk auditee? *Yes*

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014**

Section I - Summary of Auditors' Results (Continued)

State Awards

Internal control over major State programs:

- Material weakness(es) identified? *No*
- Significant deficiency(ies) identified that are not considered to be material weaknesses *No*

Type of auditors' report issued on compliance for major State programs *Unmodified*

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

Identification of major State programs:

Program Name

State Public School Fund
Public School Capital Fund – Lottery

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

Section IV - State Award Findings and Questioned Costs

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

**SCOTLAND COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014**

Finding: 13-01

Status: Corrected.

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2014

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
Federal Grants:			
<u>U.S. Department of Agriculture</u>			
Passed-through the N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Noncash Assistance (Commodities):			
National School Lunch Program	10.555		\$ 268,486
Cash Assistance:			
School Breakfast Program	10.553		679,509
National School Lunch Program	10.555		2,012,378
Cash Assistance Subtotal			<u>2,691,887</u>
Total Child Nutrition Cluster			<u>2,960,373</u>
Passed-through the N.C. Department of Health and Human Services:			
Summer Food Service Program for Children	10.559		<u>64,565</u>
Total U.S. Department of Agriculture			<u>3,024,938</u>
<u>U.S. Department of Labor</u>			
Passed-through the Lumber River Council of Governments:			
Workforce Investment Act	17.259		<u>180,312</u>
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Direct Programs:			
Indian Education	84.060		174,194
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050	2,513,720
Reward School Mini Grant (Title I of ESEA)	84.010	PRC 100	5,030
Title II, Math and Science Partnership	84.366	PRC 112	119,900
Twenty-first Century Community Learning Centers	84.287	PRC 110	225,122
Improving Teacher Quality	84.367	PRC 103	320,495
Rural and Low Income Schools	84.358	PRC 109	114,129
Race to the Top - ARRA	84.395	PRC 156	509,671
Passed-through the University of North Carolina - Chapel Hill:			
Gear Up NC Grant	84.334		233,681

SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Special Education Cluster:			
Grants to States - IDEA, part B (611)	84.027	PRC 060	1,053,002
Coordinated Early Intervening Services	84.027	PRC 070	162,407
Special Needs Targeted Assistance	84.027	PRC 118	100,605
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	66,907
Preschool Targeted Assistance	84.173	PRC 119	169
Total Special Education Cluster			<u>1,383,090</u>
 Title VI-B, Education of the Handicapped	 84.323	 PRC 082	 22,042
 Career and Technical Education - Basic Grants to States Program Development	 84.048	 PRC 017	 <u>101,904</u>
 Total U.S. Department of Education			 <u>5,722,978</u>
 <u>U.S. Department of Health and Human Services</u>			
Health Resources and Services Administration:			
Passed-through the N.C. Department of Public Instruction:			
Abstinence Education	93.235	PRC 101	<u>8,279</u>
 <u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	None		<u>73,525</u>
 Total Federal Assistance			 <u>9,010,032</u>
 State Grants:			
 <u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund			36,566,818
Vocational Education:			
State Months of Employment		PRC 013	1,818,435
Program Support Funds		PRC 014	180,550
Driver Training		PRC 012	117,140
School Technology Fund		PRC 015	84,974
 Passed-through Scotland County:			
Public School Capital Fund - Lottery			<u>373,000</u>
 Cash assistance subtotal			 <u>39,140,917</u>

**SCOTLAND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2014**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expenditures</u>
Non-Cash Assistance: State Buses Appropriation			185,985
Total NC Department of Public Instruction			39,326,902
<u>N.C. Department of Agriculture</u> State Reduced Breakfast Program			5,171
<u>N.C. Department of Health and Human Services</u> Division of Child Development: NC Pre-Kindergarten Program			1,194,236
Total State Assistance			40,526,309
Total Federal and State Assistance			\$ 49,536,341

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

1. Basis of Presentation

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