

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

*Financial Statements  
For the Fiscal Year Ended  
June 30, 2015*

**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, 2015 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.

### **Auditors' 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, 2015, 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 and the Schedule of the Board's Proportionate Share of the Net Pension Liability and the Schedule of Board Contributions on pages 42 and 43, respectively, 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 August 27, 2015 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*

August 27, 2015  
Rockingham, North Carolina  
(910) 997-1418

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

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This section of the Scotland County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 2015. This information should be read in conjunction with the audited financial statements included in this report.

### ***Financial Highlights***

As discussed in Note 4 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. As a result, net position as previously reported at June 30, 2014 for the governmental and business-type activities decreased by \$13.1 million and \$413,000, respectively. For the fiscal year ended June 30, 2015, the Board's total government-wide net position (not including the decrease in net position due to the GASB 68 restatement) increased by \$1.5 million, or 6.8%. Governmental activities net position increased by \$1.3 million, or 6.2%, and business-type activities net position increased by \$184,000, or 21.2%.

- Total government-wide net investment in capital assets decreased by \$1.3 million, or 3.7% from the prior year. Governmental activities net investment in capital assets decreased by \$1.3 million, or 3.7%, and business-type activities net investment in capital assets increased by \$3,000, or 1.3%.
- Total restricted net position decreased by \$332,000, or 36.4%. Restricted net position is found only in the governmental activities.
- The Board's total government-wide unrestricted net position at June 30, 2015 decreased by \$10.4 million from the prior year due largely to the previously discussed \$13.5 million GASB 68 restatement. Net of this restatement, governmental activities unrestricted net position increased by \$2.9 million while business-type activities unrestricted net position increased by \$181,000 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 2014-2015 fiscal year, the Board of Education received a 4.7% 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, deferred outflows of resources, liabilities and deferred inflows of resources. 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, deferred outflows of resources, deferred inflows of resources and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information

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

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contained in this statement. The statement of activities summarizes the Board's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for the Board's governmental funds, proprietary fund and fiduciary fund. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The proprietary and fiduciary funds are presented on the full accrual basis of accounting. The fund financial statements focus on the Board's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about the Board as an economic unit while the fund financial statements provide information on each of the financial resources of each of the Board's major funds.

### **Government-wide Statements**

The government-wide statements report information about the unit as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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**

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### ***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 \$23.4 million as of June 30, 2015 as compared to \$35.5 million as of June 30, 2014, a decrease of \$12.0 million. As previously discussed, this decrease is primarily due to the implementation of GASB 68 during the year which had the effect of reducing beginning of year net position by \$13.5 million. The largest component of net position is net investment in capital assets of \$33.8 million. Following is a summary of the Statement of Net Position at June 30, 2015 and 2014:

**Table 1  
Condensed Statement of Net Position  
As of June 30, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Current assets	\$ 5,571,305	\$ 5,145,458	\$ 1,325,886	\$ 1,213,607	\$ 6,897,191	\$ 6,359,065
Capital assets	<u>33,601,443</u>	<u>35,074,776</u>	<u>235,240</u>	<u>232,211</u>	<u>33,836,683</u>	<u>35,306,987</u>
Total assets	<u>39,172,748</u>	<u>40,220,234</u>	<u>1,561,126</u>	<u>1,445,818</u>	<u>40,733,874</u>	<u>41,666,052</u>
Deferred outflows of resources	<u>3,110,468</u>	<u>-</u>	<u>97,801</u>	<u>-</u>	<u>3,208,269</u>	<u>-</u>
Current liabilities	4,194,908	4,022,605	139,591	144,243	4,334,499	4,166,848
Long-term liabilities	<u>4,464,812</u>	<u>2,012,790</u>	<u>113,837</u>	<u>20,810</u>	<u>4,578,649</u>	<u>2,033,600</u>
Total liabilities	<u>8,659,720</u>	<u>6,035,395</u>	<u>253,428</u>	<u>165,053</u>	<u>8,913,148</u>	<u>6,200,448</u>
Deferred inflows of resources	<u>11,258,796</u>	<u>-</u>	<u>354,004</u>	<u>-</u>	<u>11,612,800</u>	<u>-</u>
Net investment in capital assets	33,601,443	34,888,790	235,240	232,211	33,836,683	35,121,001
Restricted net position	579,378	910,996	-	-	579,378	910,996
Unrestricted net position (deficit)	<u>(11,816,121)</u>	<u>(1,614,947)</u>	<u>816,255</u>	<u>1,048,554</u>	<u>(10,999,866)</u>	<u>(566,393)</u>
Total net position	<u>\$ 22,364,700</u>	<u>\$ 34,184,839</u>	<u>\$ 1,051,495</u>	<u>\$ 1,280,765</u>	<u>\$ 23,416,195</u>	<u>\$ 35,465,604</u>

The net position of the Board's governmental activities decreased \$11.8 million during the year, from \$34.2 million at June 30, 2014 to \$22.4 million at June 30, 2015, indicating a decline in the financial condition of the Board. The GASB 68 restatement accounted for all of this decrease, reducing beginning of year governmental activities net position by \$13.1 million. Restricted net position decreased by \$332,000, primarily due to decreased fund balances in the Capital Outlay and Individual Schools Funds. Unrestricted net position decreased \$10.2 million compared to the prior year, due primarily to implementation of GASB 68. Net investment in capital assets decreased \$1.3 million due to an excess of depreciation expense over capital additions for the year.

Net of a reduction of \$413,000 to beginning of year net position for implementation of GASB 68, the net position of the Board's business-type activities increased \$184,000 during the year. This increase of \$184,000 is the net profit generated by our school food service operations during the 2015 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, 2015 and 2014**

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/15	6/30/14	6/30/15	6/30/14	6/30/15	6/30/14
Revenues:						
Program revenues:						
Charges for services	\$ 1,175,443	\$ 1,278,230	\$ 252,184	\$ 538,734	\$ 1,427,627	\$ 1,816,964
Operating grants and contributions	43,901,491	43,016,281	3,611,719	3,030,109	47,513,210	46,046,390
Capital grants and contributions	185,985	185,985	-	-	185,985	185,985
General revenues:						
County appropriations	10,914,325	10,337,325	-	-	10,914,325	10,337,325
State appropriations	3,560,566	3,817,788	-	-	3,560,566	3,817,788
Other revenues	482,943	599,280	5,613	3,414	488,556	602,694
Total revenues	<u>60,220,753</u>	<u>59,234,889</u>	<u>3,869,516</u>	<u>3,572,257</u>	<u>64,090,269</u>	<u>62,807,146</u>
Expenses:						
Governmental activities:						
Instructional services	45,671,388	46,706,197	-	-	45,671,388	46,706,197
System-wide support services	13,124,980	14,042,012	-	-	13,124,980	14,042,012
Ancillary services	-	38,127	-	-	-	38,127
Payments to other governments	3,087	11,736	-	-	3,087	11,736
Unallocated depreciation	63,611	71,005	-	-	63,611	71,005
Business-type activities:						
School food service	-	-	3,730,859	3,480,542	3,730,859	3,480,542
Total expenses	<u>58,863,066</u>	<u>60,869,077</u>	<u>3,730,859</u>	<u>3,480,542</u>	<u>62,593,925</u>	<u>64,349,619</u>
Excess (deficiency)						
before transfers	1,357,687	(1,634,188)	138,657	91,715	1,496,344	(1,542,473)
Transfers in (out)	(45,001)	(45,001)	45,001	45,001	-	-
Change in net position	<u>1,312,686</u>	<u>(1,679,189)</u>	<u>183,658</u>	<u>136,716</u>	<u>1,496,344</u>	<u>(1,542,473)</u>
Beginning net position,						
as previously reported	34,184,839	35,864,028	1,280,765	1,144,049	35,465,604	37,008,077
Restatement	(13,132,825)	-	(412,928)	-	(13,545,753)	-
Beginning net position, restated	<u>21,052,014</u>	<u>35,864,028</u>	<u>867,837</u>	<u>1,144,049</u>	<u>21,919,851</u>	<u>37,008,077</u>
Ending net position	<u>\$ 22,364,700</u>	<u>\$ 34,184,839</u>	<u>\$ 1,051,495</u>	<u>\$ 1,280,765</u>	<u>\$ 23,416,195</u>	<u>\$ 35,465,604</u>

Total governmental activities generated revenues of \$60.2 million while expenses in this category totaled \$58.9 million for the year ended June 30, 2015, resulting in the aforementioned increase in net position

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

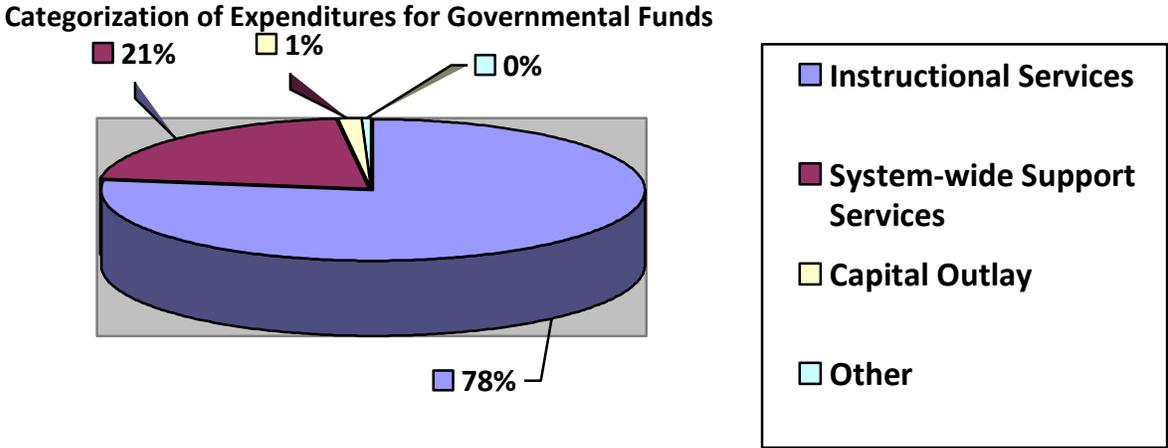
of \$1.3 million (including transfers to business-type activities of \$45,000). Comparatively, revenues were \$59.2 million, expenses totaled \$60.9 million and transfers out were \$45,000 for the year ended June 30, 2014, resulting in a decrease in net position of \$1.7 million. In comparing the two periods, the year-over-year improvement was \$3.0 million. This improvement is primarily attributable to a \$2.1 million decrease in pension costs associated with implementation of GASB 68 during the current year.

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 68.6%, 17.5% and 9.1% of our total governmental activities revenues. As would be expected, the major component of our expenditures was instructional services which accounted for 77.6% of our total expenditures during the most recent fiscal year. Of the remaining 22.4% of our total expenditures, 22.3% was attributable to system-wide support services.

Our business-type activities generated revenues of \$3.9 million, while expenses in this category totaled \$3.7 million for the year ended June 30, 2015. For the year, net position increased by \$184,000, including \$45,000 of transfers from governmental activities. Comparatively, revenues were \$3.6 million, expenses were \$3.5 million and transfers from governmental activities were \$45,000 for the year ended June 30, 2014 for an increase in net position of \$137,000. In comparing the two years, revenues increased \$297,000 while expenses increased by \$250,000. During the 2014-2015 year, the district implemented the federal Community Eligibility Program (CEP) whereby all kids in the district receive free breakfast and lunch each day. Implementation of this program had the effect of increasing revenue from USDA reimbursements and increasing food costs due to increased student meal participation.

**Financial Analysis of the Board's Funds**

*Governmental Funds:* The focus of Scotland County Board of Education's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Board's financing requirements. The Board's governmental funds reported a combined fund balance of \$3.1 million at June 30, 2015, an increase of \$201,000 over the \$2.9 million reported at June 30, 2014. The Board's General Fund reported an increase in fund balance for the year of \$382,000 while the Capital Outlay Fund and Individual Schools Fund reported decreases of \$58,000 and \$123,000, respectively. 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 \$184,000 for the fiscal year ended June 30, 2015 compared to an increase of \$137,000 for the same 2014 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, 2015.

**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 \$1.7 million 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 \$382,000. Revenues increased \$359,000 over the prior year while expenditures increased \$97,000. Overall, revenues and expenditures were both relatively consistent with the prior year.

**Capital Assets**

Total primary government capital assets were \$33.8 million at June 30, 2015 compared to \$35.3 million at June 30, 2014, a decrease of 4.2%. The following is a summary of the Board's capital assets, net of depreciation, at June 30, 2015 and 2014. 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, 2015 and 2014**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/14</u>
Land	\$ 467,029	\$ 467,029	\$ -	\$ -	\$ 467,029	\$ 467,029
Buildings and improvements	32,319,467	33,376,301	-	-	32,319,467	33,376,301
Equipment and furniture	148,274	211,885	235,240	232,211	383,514	444,096
Vehicles	666,673	1,019,561	-	-	666,673	1,019,561
Total	<u>\$ 33,601,443</u>	<u>\$ 35,074,776</u>	<u>\$ 235,240</u>	<u>\$ 232,211</u>	<u>\$ 33,836,683</u>	<u>\$ 35,306,987</u>

**Debt Outstanding**

During the year, the Board's long-term debt decreased from \$186,000 at June 30, 2014 to \$0 at June 30, 2015. 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**

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### ***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. The focus has been on building an inventory of acreage with the proper sewer, water and fiber capacities that can attract large industrial companies.
- In June of 2015 the Scotland County Board of Education and the Scotland County Board of Commissioners agreed on a three year agreement that deviated from the General Statute mandated funding formula (only binding funding formula in the State of North Carolina) that has been in place since the 1960's. Simply put, the agreement has a 2.25% reduction per year, and a stipulation that neither the Board of Education nor the Board of County Commissioners can seek a new general statute to remove the underlying funding formula. Also, for the next three years a funding agreement of \$300,000 per year has been set for capital outlay. An additional list of needs outside of the \$300,000 allotment has been sent to the County Manager from the Superintendent.
- State reductions in teacher assistants and driver's education were at the heart of the amount needed to appropriate from fund balance to balance the budget for 2015-16. The Board stressed that it is a priority to have teacher assistants and driver's education at least in the 2015-16 school year. However, they cautioned that this priority may be unsustainable in the long run and needed to be revisited on a yearly basis.
- The Board has approved a new strategic plan that has many goals, with the focal points being; high performance students, staff, learning environments and communication. It is within these goals that are milestones and from those milestones the budget will be built. The Board realizes the importance of aligning the budget to the strategic plan so that the funds are being spent to realize the goals of the plan.

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, 2015**

**Exhibit 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 3,570,554	\$ 1,184,450	\$ 4,755,004
Due from other governments	1,750,861	149,941	1,900,802
Receivables	125,557	-	125,557
Internal balances	84,633	(84,633)	-
Inventories	-	76,128	76,128
Prepaid expenses	39,700	-	39,700
Capital assets:			
Land	467,029	-	467,029
Other capital assets, net of depreciation	33,134,414	235,240	33,369,654
Total capital assets	<u>33,601,443</u>	<u>235,240</u>	<u>33,836,683</u>
Total assets	<u>39,172,748</u>	<u>1,561,126</u>	<u>40,733,874</u>
<b>Deferred Outflows of Resources</b>	<u>3,110,468</u>	<u>97,801</u>	<u>3,208,269</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	538,579	2,259	540,838
Accrued salaries and wages payable	1,894,977	79,097	1,974,074
Unearned revenue	-	9,450	9,450
Long-term liabilities:			
Net pension liability	2,878,190	90,497	2,968,687
Due within one year	1,761,352	48,785	1,810,137
Due in more than one year	1,586,622	23,340	1,609,962
Total liabilities	<u>8,659,720</u>	<u>253,428</u>	<u>8,913,148</u>
<b>Deferred Inflows of Resources</b>	<u>11,258,796</u>	<u>354,004</u>	<u>11,612,800</u>
<b>Net position</b>			
Net investment in capital assets	33,601,443	235,240	33,836,683
Restricted for:			
Stabilization by State statute	273,106	-	273,106
School capital outlay	1,526	-	1,526
Instructional services	13,160	-	13,160
Individual schools activities	291,586	-	291,586
Unrestricted (deficit)	<u>(11,816,121)</u>	<u>816,255</u>	<u>(10,999,866)</u>
Total net position	<u>\$ 22,364,700</u>	<u>\$ 1,051,495</u>	<u>\$ 23,416,195</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, 2015**

**Exhibit 3**

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
<b>Assets</b>						
Cash and cash equivalents	\$ 3,182,814	\$ -	\$ -	\$ 96,154	\$ 291,586	\$ 3,570,554
Due from other governments	62,916	1,570,909	117,036	-	-	1,750,861
Accounts receivable	125,557	-	-	-	-	125,557
Due from other funds	84,633	-	-	-	-	84,633
Prepaid expenditures	39,700	-	-	-	-	39,700
<b>Total assets</b>	<b>\$ 3,495,620</b>	<b>\$ 1,570,909</b>	<b>\$ 117,036</b>	<b>\$ 96,154</b>	<b>\$ 291,586</b>	<b>\$ 5,571,305</b>
<b>Liabilities and Fund balances</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 443,951	\$ -	\$ -	\$ 94,628	\$ -	\$ 538,579
Accrued salaries and wages payable	207,032	1,570,909	117,036	-	-	1,894,977
<b>Total liabilities</b>	<b>650,983</b>	<b>1,570,909</b>	<b>117,036</b>	<b>94,628</b>	<b>-</b>	<b>2,433,556</b>
Fund balances:						
Nonspendable:						
Prepaid expenditures	39,700	-	-	-	-	39,700
Restricted:						
Stabilization by State statute	273,106	-	-	-	-	273,106
School capital outlay	-	-	-	1,526	-	1,526
Instructional services	13,160	-	-	-	-	13,160
Individual schools	-	-	-	-	291,586	291,586
Assigned:						
Subsequent year's expenditures	511,000	-	-	-	-	511,000
Unassigned	2,007,671	-	-	-	-	2,007,671
<b>Total fund balances</b>	<b>2,844,637</b>	<b>-</b>	<b>-</b>	<b>1,526</b>	<b>291,586</b>	<b>3,137,749</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,495,620</b>	<b>\$ 1,570,909</b>	<b>\$ 117,036</b>	<b>\$ 96,154</b>	<b>\$ 291,586</b>	

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.	33,601,443
Deferred outflows of resources related to pensions	3,110,468
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.	(3,347,974)
Net pension liability	(2,878,190)
Deferred inflows of resources related to pensions	(11,258,796)
<b>Net position of governmental activities</b>	<b>\$ 22,364,700</b>

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, 2015**

**Exhibit 4**

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
<b>Revenues:</b>						
State of North Carolina	\$ 1,260,957	\$ 39,958,756	\$ -	\$ 333,285	\$ -	\$ 41,552,998
Scotland County:						
Local current expense	10,614,325	-	-	-	-	10,614,325
Other	-	-	-	300,000	-	300,000
U.S. Government	597,901	-	4,910,838	-	-	5,508,739
Other	1,013,038	-	-	396,921	1,167,088	2,577,047
Total revenues	<u>13,486,221</u>	<u>39,958,756</u>	<u>4,910,838</u>	<u>1,030,206</u>	<u>1,167,088</u>	<u>60,553,109</u>
<b>Expenditures:</b>						
Current:						
Instructional services:						
Regular instructional	3,785,888	21,593,234	258,007	-	-	25,637,129
Special populations	460,341	5,196,464	853,051	-	-	6,509,856
Alternative programs	1,467,663	1,433,987	2,376,312	-	-	5,277,962
School leadership	1,115,754	2,573,243	14,166	-	-	3,703,163
Co-curricular	288,266	-	-	-	1,290,246	1,578,512
School-based support	284,246	3,488,274	39,552	-	-	3,812,072
System-wide support services:						
Support and development	732,251	165,210	81,618	-	-	979,079
Special population support and development	112,402	118,128	660,899	-	-	891,429
Alternative programs and services support and development	10,780	25,930	242,821	-	-	279,531
Technology support	121,964	409,646	8,317	-	-	539,927
Operational support	3,633,534	3,743,126	105,644	-	-	7,482,304
Financial and human resource services	391,265	503,840	173,128	-	-	1,068,233
Accountability	106,646	69,556	-	-	-	176,202
System-wide pupil support	-	61,879	-	-	-	61,879
Policy, leadership and public relations	583,197	531,238	-	-	-	1,114,435
Non-programmed charges	9,971	-	97,323	-	-	107,294
Debt service:						
Principal retirement	-	-	-	185,986	-	185,986
Capital outlay	-	-	-	902,012	-	902,012
Total expenditures	<u>13,104,168</u>	<u>39,913,755</u>	<u>4,910,838</u>	<u>1,087,998</u>	<u>1,290,246</u>	<u>60,307,005</u>
Revenues over (under) expenditures	382,053	45,001	-	(57,792)	(123,158)	246,104
Other financing uses:						
Transfers to other funds	-	(45,001)	-	-	-	(45,001)
Net change in fund balance	382,053	-	-	(57,792)	(123,158)	201,103
Fund balances:						
Beginning of year	<u>2,462,584</u>	<u>-</u>	<u>-</u>	<u>59,318</u>	<u>414,744</u>	<u>2,936,646</u>
End of year	<u>\$ 2,844,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,526</u>	<u>\$ 291,586</u>	<u>\$ 3,137,749</u>

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

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 201,103
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.	(1,473,333)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,110,468
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.	185,986
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	
Pension expense	(1,004,161)
Compensated absences	<u>292,623</u>
Total changes in net position of governmental activities	<u>\$ 1,312,686</u>

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

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit 6**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ 1,289,544	\$ 1,260,957	\$ (28,587)
Scotland County	10,614,925	10,614,925	10,614,325	(600)
U.S. Government	653,683	701,023	597,901	(103,122)
Other	563,000	894,500	1,013,038	118,538
Total revenues	<u>11,831,608</u>	<u>13,499,992</u>	<u>13,486,221</u>	<u>(13,771)</u>
Expenditures:				
Current:				
Instructional services	6,364,821	7,701,720	7,402,158	299,562
System-wide support services	5,607,388	5,937,343	5,692,039	245,304
Ancillary services	-	-	-	-
Non-programmed charges	9,399	10,929	9,971	958
Total expenditures	<u>11,981,608</u>	<u>13,649,992</u>	<u>13,104,168</u>	<u>545,824</u>
Revenues over (under) expenditures	(150,000)	(150,000)	382,053	532,053
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	<u>150,000</u>	<u>150,000</u>	-	<u>(150,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	382,053	<u>\$ 382,053</u>
Fund balances:				
Beginning of year			<u>2,462,584</u>	
End of year			<u>\$ 2,844,637</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, 2015**

	State Public School Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ 38,278,148	\$ 41,178,253	\$ 39,958,756	\$ (1,219,497)
Scotland County	-	-	-	-
U.S. Government	-	-	-	-
Other	-	-	-	-
Total revenues	<u>38,278,148</u>	<u>41,178,253</u>	<u>39,958,756</u>	<u>(1,219,497)</u>
Expenditures:				
Current:				
Instructional services	33,479,814	35,286,476	34,285,202	1,001,274
System-wide support services	4,753,333	5,846,775	5,628,553	218,222
Ancillary services	-	-	-	-
Non-programmed charges	-	-	-	-
Total expenditures	<u>38,233,147</u>	<u>41,133,251</u>	<u>39,913,755</u>	<u>1,219,496</u>
Revenues over (under) expenditures	45,001	45,002	45,001	(1)
Other financing uses:				
Transfers to other funds	(45,001)	(45,002)	(45,001)	1
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, 2015**

	Federal Grants Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State of North Carolina	\$ -	\$ -	\$ -	\$ -
Scotland County	-	-	-	-
U.S. Government	1,846,659	5,992,415	4,910,838	(1,081,577)
Other	-	-	-	-
Total revenues	<u>1,846,659</u>	<u>5,992,415</u>	<u>4,910,838</u>	<u>(1,081,577)</u>
Expenditures:				
Current:				
Instructional services	1,016,455	3,987,434	3,541,088	446,346
System-wide support services	619,489	1,443,950	1,272,427	171,523
Ancillary services	-	-	-	-
Nonprogrammed charges	<u>210,715</u>	<u>561,031</u>	<u>97,323</u>	<u>463,708</u>
Total expenditures	<u>1,846,659</u>	<u>5,992,415</u>	<u>4,910,838</u>	<u>1,081,577</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, 2015**

**Exhibit 7**

	<u>Enterprise Fund</u>
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,184,450
Due from other governments	149,941
Inventories	<u>76,128</u>
Total current assets	<u>1,410,519</u>
Noncurrent assets:	
Capital assets:	
Furniture and office equipment, net	<u>235,240</u>
Total assets	<u>1,645,759</u>
<b>Deferred Outflows of Resources</b>	<u>97,801</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable and accrued liabilities	2,259
Accrued salaries and wages payable	79,097
Due to other funds	84,633
Compensated absences	48,785
Unearned revenue	<u>9,450</u>
Total current liabilities	<u>224,224</u>
Noncurrent liabilities:	
Net pension liability	90,497
Compensated absences	<u>23,340</u>
Total noncurrent liabilities	<u>113,837</u>
Total liabilities	<u>338,061</u>
<b>Deferred Inflows of Resources</b>	<u>354,004</u>
<b>Net position</b>	
Net investment in capital assets	235,240
Unrestricted	<u>816,255</u>
Total net position	<u>\$ 1,051,495</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, 2015**

**Exhibit 8**

	Enterprise Fund
	<u>Major Fund</u>
	<u>School Food</u>
	<u>Service</u>
Operating revenues:	
Food sales	\$ 252,184
Operating expenses:	
Food cost:	
Purchase of food	1,163,000
Donated commodities	241,764
Salaries and benefits	1,855,103
Indirect costs	228,149
Materials and supplies	120,171
Repairs and maintenance	33,823
Depreciation	57,573
Non-capitalized equipment	377
Contracted services	6,355
Other	24,544
Total operating expenses	<u>3,730,859</u>
Operating loss	<u>(3,478,675)</u>
Nonoperating revenues:	
Federal reimbursements	3,369,955
Federal commodities	241,764
Interest earned	2,245
Other	3,368
Total nonoperating revenues	<u>3,617,332</u>
Income before transfers	138,657
Transfers from other funds	<u>45,001</u>
Change in net position	<u>183,658</u>
Net position, beginning of year, as previously reported	1,280,765
Restatement	<u>(412,928)</u>
Net position, beginning of year, as restated	<u>867,837</u>
Net position, end of year	<u>\$ 1,051,495</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, 2015**

**Exhibit 9**

	Enterprise Fund
	<u>Major Fund</u>
	<u>School Food Service</u>
Cash flows from operating activities:	
Cash received from customers	\$ 251,213
Cash paid for goods and services	(1,581,841)
Cash paid to employees for services	(1,864,401)
Net cash used by operating activities	<u>(3,195,029)</u>
Cash flows from noncapital financing activities:	
Due to other funds	(63,683)
Federal and State reimbursements	3,280,618
Other	3,368
Net cash provided by noncapital financing activities	<u>3,220,303</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(60,602)</u>
Cash flows from investing activities:	
Interest earned on investments	<u>2,245</u>
Net decrease in cash and cash equivalents	(33,083)
Cash and cash equivalents, beginning of year	<u>1,217,533</u>
Cash and cash equivalents, end of year	<u>\$ 1,184,450</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (3,478,675)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	57,573
Pension expense	31,573
Donated commodities	241,764
Salaries paid by other funds	45,001
Changes in assets and liabilities:	
Decrease in accounts receivable	192
Decrease in inventories	7,466
Decrease in accounts payable and accrued liabilities	(12,888)
Increase in accrued salaries and wages payable	12,011
Decrease in unearned revenue	(1,163)
Increase in deferred outflows of resources for pension plan contributions in current fiscal year	(97,801)
Decrease in compensated absences payable	<u>(82)</u>
Total adjustments	<u>283,646</u>
Net cash used by operating activities	<u>\$ (3,195,029)</u>

**NONCASH OPERATING AND NONCAPITAL FINANCING ACTIVITIES:**

The School Food Service Fund received donated commodities with a value of \$241,764 during the fiscal year. The receipt of these commodities is reflected as a nonoperating revenue on Exhibit 8. The consumption of these commodities is recorded as an operating expense.

The State Public School Fund paid salaries and benefits of \$45,001 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, 2015**

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**Exhibit 10**

	<u>Private Purpose Trust Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>195,071</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ <u>-</u>
<b>Net position</b>	
Assets held in trust for private purpose	\$ <u><u>195,071</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, 2015**

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**Exhibit 11**

	<u>Private Purpose Trust Fund</u>
Additions:	
Contributions and other revenue	\$ 1,454
Deductions:	
Instructional costs	<u>5,000</u>
Change in net position	(3,546)
Beginning net position	<u>198,617</u>
Ending net position	<u>\$ 195,071</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, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

The Scotland County Board of Education (Board) is a Local Education Agency empowered by State law [Chapter 115C of the North Carolina General Statutes] with the responsibility to oversee and control all activities related to public school education in Scotland County, North Carolina. The Board receives State, local, and federal government funding and must adhere to the legal requirements of each funding entity. 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.

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

*Capital Outlay Fund.* The Capital Outlay Fund accounts for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds and trust funds). It is mandated by State law [G.S.115C-426]. Capital projects are funded by Scotland County appropriations, restricted sales tax moneys, proceeds of 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**  
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D. Budgetary Data

The Board's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds, except for the 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, Deferred Outflows, Liabilities, Deferred Inflows 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.

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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. Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Board has one item that meets this criterion – contributions made to the pension plan in the current fiscal year. The statement of financial position also reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Board has one item that meets this criterion – pension related deferrals.

6. 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.

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7. 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, 2015 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.

8. 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:

*Nonspendable fund balance* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepaid expenditures- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenditures, which are not spendable resources.

*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. The Board of Education approves the appropriations in accordance with State laws.

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.

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*Unassigned fund balance* – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes.

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. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Board of Education.

**9. 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 \$19,226,951 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 68,048,208
Less accumulated depreciation	<u>(34,446,765)</u>
Net capital assets	33,601,443
Pension related deferred outflows of resources:	
Contributions made to the pension plan in the current fiscal year	3,110,468
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:	
Compensated absences	(3,347,974)
Net pension liability	(2,878,190)
Deferred inflows of resources related to pensions:	
Differences between contributions and proportional share of contributions and changes in proportion	(863,554)
Differences between expected and actual experience	(670,891)
Difference between projected and actual earnings on plan investments	<u>(9,724,351)</u>
Total adjustment	<u>\$ 19,226,951</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 \$1,111,583 as follows:

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<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 206,679
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	(1,680,012)
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	185,986
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	3,110,468
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:	
Pension expense	(1,004,161)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	<u>292,623</u>
Total adjustment	<u>\$ 1,111,583</u>

10. Defined Benefit Pension Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Board's employer contributions are recognized when due and the Board has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS. Investments are reported at fair value.

**NOTE 2 - DETAIL NOTES ON ALL FUNDS**

A. Assets

1. Deposits

All of the Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Board's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Board, these deposits are considered to be held by the agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Board under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for

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each depository that collateralizes public deposits under the Pooling Method. The Board has no policy regarding custodial credit risk for deposits.

At June 30, 2015, the Board had deposits with banks and savings and loans with a carrying amount of \$3,480,469 and with the State Treasurer of \$-0-. The bank balances with the financial institutions and the State Treasurer were \$4,056,762 and \$164,022, respectively. Of these balances, \$583,400 was covered by federal depository insurance and \$3,637,384 was covered by collateral held by authorized escrow agents in the name of the State Treasurer.

2. Investments

At June 30 2015, the Board had \$1,469,606 invested with the State Treasurer in the Short Term Investment Fund (STIF). The STIF is unrated and had a weighted average maturity of 1.5 years at June 30, 2015. 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, 2015 are as follows:

	Due from (to) other funds (Internal Balances)	Due from other governments	Other	Total
Governmental activities:				
General Fund	\$ 84,633	\$ 62,916	\$ 125,557	\$ 273,106
Other governmental activities	-	1,687,945	-	1,687,945
Total governmental activities	<u>\$ 84,633</u>	<u>\$ 1,750,861</u>	<u>\$ 125,557</u>	<u>\$ 1,961,051</u>
Business-type activities:				
School Food Service Fund	<u>\$ (84,633)</u>	<u>\$ 149,941</u>	<u>\$ -</u>	<u>\$ 65,308</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 62,916	Federal and State grant funds and amounts due from County
State Public School Fund	1,570,909	Operating funds from DPI
Federal Grants Fund	<u>117,036</u>	Federal grants funds
Total	<u>\$ 1,750,861</u>	
Business-type activities:		
School Food Service Fund	<u>\$ 149,941</u>	Federal funds

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4. Capital Assets

Capital asset activity for the year ended June 30, 2015 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
Capital assets being depreciated:				
Buildings and improvements	56,522,001	118,752	-	56,640,753
Equipment and furniture	2,227,541	-	-	2,227,541
Vehicles	8,624,958	87,927	-	8,712,885
Total capital assets being depreciated	<u>67,374,500</u>	<u>206,679</u>	<u>-</u>	<u>67,581,179</u>
Less accumulated depreciation for:				
Buildings and improvements	23,145,700	1,175,586	-	24,321,286
Equipment and furniture	2,015,656	63,611	-	2,079,267
Vehicles	7,605,397	440,815	-	8,046,212
Total accumulated depreciation	<u>32,766,753</u>	<u>1,680,012</u>	<u>-</u>	<u>34,446,765</u>
Total capital assets being depreciated, net	<u>34,607,747</u>			<u>33,134,414</u>
Governmental activity capital assets, net	<u>\$35,074,776</u>			<u>\$33,601,443</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	\$ 1,135,194	\$ 60,602	\$ 61,982	\$ 1,133,814
Less accumulated depreciation for:				
Equipment, furniture and vehicles	<u>902,983</u>	<u>57,573</u>	<u>61,982</u>	<u>898,574</u>
School Food Service capital assets, net	<u>\$ 232,211</u>			<u>\$ 235,240</u>

Depreciation was charged to governmental functions as follows:

Instructional services	\$ 1,175,586
System-wide support services	440,815
Unallocated depreciation	<u>63,611</u>
Total	<u>\$ 1,680,012</u>

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B. Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

*Plan Description.* The Board is a participating employer in 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 membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Board employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The Board's contractually required contribution rate for the year ended June 30, 2015, was 9.15% of covered payroll, actuarially determined as an amount that, when combined with employee

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contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Board were \$3,208,269 for the year ended June 30, 2015.

*Refunds of Contributions* – Board employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Board reported a liability of \$2,968,687 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2014 and at June 30, 2013, the Board's proportion was .25% and .27%, respectively.

For the year ended June 30, 2015, the Board recognized pension expense of \$1,035,735. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 691,985
Net difference between projected and actual earnings on pension plan investments	-	10,030,109
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	890,706
Board contributions subsequent to the measurement date	3,208,269	-
Total	\$ 3,208,269	\$ 11,612,800

\$3,208,269 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ (2,925,124)
2017	(2,925,124)
2018	(2,925,124)
2019	(2,837,428)
2020	-
Thereafter	-
Total	\$ (11,612,800)

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*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 9.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County’s proportionate share of the net pension asset to changes in the discount rate.* The following presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Board’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 21,311,292	\$ 2,968,687	\$ (12,518,971)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the General Assembly in the Appropriations Bill. For the fiscal years ended June 30, 2015, 2014 and 2013, the School Board paid all annual required contributions to the Plan for postemployment healthcare benefits of \$1,918,237, \$1,828,656 and \$1,951,204, respectively. These contributions represented 5.49%, 5.40% and 5.30% 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.

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

The Board's contributions are established in the Appropriations Bill by the General Assembly. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2015, 2014 and 2013, the Board paid all annual required contributions to the DIPNC for disability benefits of \$143,256, \$149,002 and \$161,987, respectively. These contributions represented 0.41%, 0.44% and 0.44% of covered payroll, respectively.

2. Accounts Payable

Accounts payable as of June 30, 2015 are as follows:

	<u>Vendors and Other</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 443,951	\$ 207,032	\$ 650,983
Other governmental activities	<u>94,628</u>	<u>1,687,945</u>	<u>1,782,573</u>
Total governmental activities	<u>\$ 538,579</u>	<u>\$ 1,894,977</u>	<u>\$ 2,433,556</u>
Business-type activities:			
School Food Service Fund	<u>\$ 2,259</u>	<u>\$ 79,097</u>	<u>\$ 81,356</u>

**SCOTLAND COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2015**

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>\$ 9,450</u>
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4. Deferred Outflows and Inflows of Resources

The balances in deferred outflows and inflows of resources at year-end is composed of the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 691,985
Net difference between projected and actual earnings on pension plan investments	-	10,030,109
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	890,706
Board contributions subsequent to the measurement date	<u>3,208,269</u>	<u>-</u>
Total	<u>\$ 3,208,269</u>	<u>\$ 11,612,800</u>

5. Risk Management

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

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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.

6. Long-Term Obligations

a. Installment Purchases

The Board is authorized to finance the purchase of school buses under G.S. 115C-528(a). Session law 2003-284, section 7.25 authorized the State Board of Education to allot monies for the payments on financing contracts entered into pursuant to G.S. 115C-528. The State has accepted the bid to purchase Thomas Built Buses through special third party financing arrangements. During 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 15<sup>th</sup> dates. This contract was paid in full during the year ended June 30, 2015.

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, 2015:

	<u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>Current Portion</u>
Governmental activities:					
Installment purchases	\$ 185,986	\$ -	\$ 185,986	\$ -	\$ -
Net pension liability	15,992,127	-	13,113,937	2,878,190	-
Compensated absences	3,640,597	2,201,874	2,494,497	3,347,974	1,761,352
Total	<u>\$ 19,818,710</u>	<u>\$ 2,201,874</u>	<u>\$ 15,794,420</u>	<u>\$ 6,226,164</u>	<u>\$ 1,761,352</u>
Business-type activities:					
Net pension liability	\$ 502,832	\$ -	\$ 412,335	\$ 90,497	\$ -
Compensated absences	72,207	73,676	73,758	72,125	48,785
Total	<u>\$ 575,039</u>	<u>\$ 73,676</u>	<u>\$ 486,093</u>	<u>\$ 162,622</u>	<u>\$ 48,785</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	<u>\$ 45,001</u>
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**SCOTLAND COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2015**

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2. Interfund Balances

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	<u>\$ 84,633</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 2014 – 2015 fiscal year. This amount is expected to be paid prior to June 30, 2016.

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	\$ 2,844,637
Less:	
Prepaid expenditures	(39,700)
Stabilization by State statute	(273,106)
Restricted for instructional services	(13,160)
Appropriated fund balance in 2015-2016 budget	<u>(511,000)</u>
Remaining fund balance	<u>\$ 2,007,671</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.

**NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLES / RESTATEMENT**

The Board implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Board to record beginning net pension liability and the effects on net position of contributions made by the Board during the measurement period (fiscal year 2014). As a result, net position for the governmental and business-type activities decreased by \$13,132,825 and \$412,928 respectively.

**SCOTLAND COUNTY BOARD OF EDUCATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS\***

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	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.253%	0.272%
Board's proportionate share of the net pension liability (asset)	\$ 2,968,687	\$ 16,494,959
Board's covered-employee payroll	\$ 33,761,157	\$ 36,618,454
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.79%	45.05%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	90.60%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**SCOTLAND COUNTY BOARD OF EDUCATION  
 SCHEDULE OF BOARD CONTRIBUTIONS  
 TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM  
 LAST TWO FISCAL YEARS**

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	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,208,269	\$ 2,933,845
Contributions in relation to the contractually required contribution	<u>3,208,269</u>	<u>2,933,845</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 35,063,051	\$ 33,761,157
Contributions as a percentage of covered-employee payroll	9.15%	8.69%

**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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
NC Pre- Kindergarten Program	\$ 1,289,544	\$ 1,260,957	\$ (28,587)
Scotland County:			
County appropriation	10,614,925	10,614,325	(600)
U.S. Government:			
Gear Up NC Grant	247,064	169,963	(77,101)
Indian Education	179,305	179,305	-
Workforce Investment Act	219,654	189,368	(30,286)
ROTC	55,000	59,265	4,265
Total U.S. Government	701,023	597,901	(103,122)
Other:			
Fines and forfeitures	-	33,132	33,132
Interest earned on investment	25,000	4,542	(20,458)
Indirect costs allocated	250,000	332,489	82,489
Private grants and programs	-	2,000	2,000
Rental of school property	8,000	8,355	355
Medicaid and other reimbursements	575,000	586,305	11,305
Miscellaneous	36,500	46,215	9,715
Total other	894,500	1,013,038	118,538
Total revenues	13,499,992	13,486,221	(13,771)
Expenditures:			
Current:			
Instructional services:			
Regular instructional	-	3,785,888	-
Special populations	-	460,341	-
Alternative programs	-	1,467,663	-
School leadership	-	1,115,754	-
Co-curricular	-	288,266	-
School-based support	-	284,246	-
Total instructional services	7,701,720	7,402,158	299,562

**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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Expenditures: (Continued)			
Current:			
System-wide support services:			
Support and development	-	732,251	-
Special population support and development	-	112,402	-
Alternative programs and services support and development	-	10,780	-
Technology support	-	121,964	-
Operational support	-	3,633,534	-
Financial and human resource services	-	391,265	-
Accountability	-	106,646	-
System-wide pupil support	-	-	-
Policy, leadership and public relations	-	583,197	-
Total system-wide support services	<u>5,937,343</u>	<u>5,692,039</u>	<u>245,304</u>
Non-programmed charges			
Payments to other governments	<u>10,929</u>	<u>9,971</u>	<u>958</u>
Total expenditures	<u>13,649,992</u>	<u>13,104,168</u>	<u>545,824</u>
Revenues over (under) expenditures	(150,000)	382,053	532,053
Fund balance appropriated	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Net change in fund balance	<u>\$ -</u>	382,053	<u>\$ 382,053</u>
Fund balance:			
Beginning of year		<u>2,462,584</u>	
End of year		<u>\$ 2,844,637</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, 2015**

	Revenues	Expenditures	Net change in fund balance	Fund balances June 30, 2014	Fund balances June 30, 2015
Scotland High	\$ 551,974	\$ 656,922	\$ (104,948)	\$ 221,897	\$ 116,949
Carver Middle	62,113	65,391	(3,278)	16,527	13,249
Spring Hill Middle	109,767	99,854	9,913	8,552	18,465
Sycamore Lane Middle	89,603	96,780	(7,177)	17,336	10,159
I. Ellis Johnson Elementary	15,742	11,323	4,419	8,900	13,319
Covington Street Primary	52,700	48,080	4,620	11,348	15,968
Laurel Hill Elementary	43,654	58,694	(15,040)	22,805	7,765
North Laurinburg Elementary	36,426	34,405	2,021	2,746	4,767
Pate-Gardner Elementary	18,376	17,438	938	12,327	13,265
South Scotland Elementary	71,104	78,043	(6,939)	47,475	40,536
Wagram Elementary	49,388	49,078	310	8,270	8,580
Washington Park Elementary	28,454	33,333	(4,879)	15,162	10,283
Shaw Academy	1,194	1,456	(262)	979	717
Scotland Early College	<u>36,593</u>	<u>39,449</u>	<u>(2,856)</u>	<u>20,420</u>	<u>17,564</u>
Totals	<u>\$ 1,167,088</u>	<u>\$ 1,290,246</u>	<u>\$ (123,158)</u>	<u>\$ 414,744</u>	<u>\$ 291,586</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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
State of North Carolina:			
State appropriations - buses	\$ 185,985	\$ 185,985	\$ -
Public School Capital Fund - Lottery	<u>474,000</u>	<u>147,300</u>	<u>(326,700)</u>
Total State of North Carolina	<u>659,985</u>	<u>333,285</u>	<u>(326,700)</u>
Scotland County:			
County appropriations	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Other:			
Fines and forfeitures	275,000	172,473	(102,527)
Activity bus replacement revenue	93,863	114,448	20,585
Miscellaneous	<u>290,000</u>	<u>110,000</u>	<u>(180,000)</u>
Total other	<u>658,863</u>	<u>396,921</u>	<u>(261,942)</u>
Total revenues	<u>1,618,848</u>	<u>1,030,206</u>	<u>(588,642)</u>
Expenditures:			
Debt service:			
Principal retirement	<u>185,986</u>	<u>185,986</u>	<u>-</u>
Capital outlay:			
Buildings and improvements:			
South Scotland roof and HVAC - Lottery	-	147,300	-
Other real property and buildings	-	<u>619,829</u>	-
Total buildings and improvements	1,313,999	767,129	546,870
Furnishings and equipment	51,341	46,956	4,385
Buses and motor vehicles	<u>93,863</u>	<u>87,927</u>	<u>5,936</u>
Total capital outlay	<u>1,459,203</u>	<u>902,012</u>	<u>557,191</u>
Total expenditures	<u>1,645,189</u>	<u>1,087,998</u>	<u>557,191</u>
Revenues under expenditures	(26,341)	(57,792)	(31,451)
Fund balance appropriated	<u>26,341</u>	<u>-</u>	<u>(26,341)</u>
Net change in fund balance	<u>\$ -</u>	<u>(57,792)</u>	<u>\$ (57,792)</u>
Fund balance:			
Beginning of year		<u>59,318</u>	
End of year		<u>\$ 1,526</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, 2015**

	Final Budget	Actual	Variance Positive (Negative)
Operating revenues - food sales	\$ 633,700	\$ 252,184	\$ (381,516)
Operating expenditures:			
Business support services:			
Purchase of food	-	1,155,534	-
Donated commodities	-	241,764	-
Salaries and benefits	-	1,921,413	-
Indirect costs	-	228,149	-
Materials and supplies	-	120,171	-
Repairs and maintenance	-	33,823	-
Non-capitalized equipment	-	377	-
Contracted services	-	6,355	-
Other	-	24,544	-
Capital outlay	-	60,602	-
Total operating expenditures	<u>4,272,700</u>	<u>3,792,732</u>	<u>479,968</u>
Operating loss	<u>(3,639,000)</u>	<u>(3,540,548)</u>	<u>98,452</u>
Nonoperating revenues:			
Federal reimbursements	3,267,000	3,369,955	102,955
Federal commodities	370,000	241,764	(128,236)
Interest earned	1,500	2,245	745
Other	500	3,368	2,868
Total nonoperating revenues	<u>3,639,000</u>	<u>3,617,332</u>	<u>(21,668)</u>
Excess of revenues over expenditures before other financing sources	-	76,784	76,784
Other financing sources:			
Transfers from other funds	-	45,001	45,001
Net change in fund balance	<u>\$ -</u>	121,785	<u>\$ 121,785</u>
Reconciliation of modified accrual to full accrual basis:			
Reconciling items:			
Depreciation		(57,573)	
Contributions to the pension plan in current fiscal year		97,801	
Equipment purchases		60,602	
Decrease in compensated absences payable		82	
Decrease in inventories		(7,466)	
Pension expense		<u>(31,573)</u>	
Change in net position (full accrual)		<u>\$ 183,658</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, 2015, 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 August 27, 2015.

### ***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*

*August 27, 2015  
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, 2015. 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, 2015.

## ***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*

*August 27, 2015  
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, 2015. 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, 2015.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 15-01. Our opinion on each major State program is not modified with respect to this matter.

The Board's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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*

August 27, 2015  
Rockingham, North Carolina

**SCOTLAND COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2015**

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Noncompliance material to financial statements noted	<i>No</i>

***Federal Awards***

Internal control over major federal programs:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Type of auditors' report issued on compliance for major federal programs	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<i>No</i>

Identification of major federal programs:

<b>CFDA Numbers</b>	<b>Names of Federal Programs or Clusters</b>
84.367	Improving Teacher Quality
	Child Nutrition Cluster:
10.555	National School Lunch Program (Commodities)
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B Programs	<u><i>\$ 300,000</i></u>
Auditee qualified as low-risk auditee?	<i>Yes</i>

**SCOTLAND COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2015**

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

**State Awards**

Internal control over major State programs:

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

Identification of major State programs:

**Program Name**

State Public School Fund  
Vocational Education – State Months of Employment  
NC Pre-Kindergarten Program

**Section II - Financial Statement Findings**

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

**Section III - Federal Award Findings and Questioned Costs**

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

**SCOTLAND COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2015**

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**Section IV - State Award Findings and Questioned Costs**

**Finding 15-01**

N.C. Department of Health and Human Services  
Program Name: NC Pre-Kindergarten Program

**NONCOMPLIANCE**  
Activities Allowed or Unallowed

Criteria: The program requires that health assessments and developmental screenings be performed on all children enrolled in the program. These assessments and screenings must be performed within the timeframes established by program guidelines.

Condition: We selected a sample of twenty-five children enrolled in the program to test for proper completion of health assessments and developmental screenings. Per our testing, we noted that one health assessment had not been completed and two developmental screenings were not completed in a timely manner.

Effect: The Board is not in compliance with the aforementioned criteria.

Cause: Proper controls and procedures were not in place to ensure that health assessments and developmental screenings were completed in accordance with program requirements.

Questioned Cost: Not applicable

Recommendation: We recommend that management implement controls and procedures to ensure compliance with the requirements of the program.

Views of responsible officials and planned corrective actions:

The Board agrees with the finding and will ensure that management implements controls and procedures to comply with requirements related to completion of health assessments and developmental screenings.

**SCOTLAND COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
For the Fiscal Year Ended June 30, 2015**

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**Finding 15-01:**

Name of Contact Person: Mr. Larry Johnson, Asst. Superintendent of Administrative Services

Corrective Action Plan: Management will implement controls and procedures to ensure compliance with the requirements related to completion of health assessments and developmental screenings.

Proposed Completion Date: Immediately.

**SCOTLAND COUNTY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2015**

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No findings were reported in the prior year.

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2015**

<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>
<b>Federal Grants:</b>			
<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		\$ 241,764
Cash Assistance:			
School Breakfast Program	10.553		824,452
National School Lunch Program	10.555		2,508,078
Cash Assistance Subtotal			3,332,530
Total Child Nutrition Cluster			3,574,294
Passed-through the N.C. Department of Health and Human Services:			
Summer Food Service Program for Children	10.559		37,425
Total U.S. Department of Agriculture			3,611,719
<u>U.S. Department of Labor</u>			
Passed-through the Lumber River Council of Governments:			
Workforce Investment Act	17.259		189,368
<u>U.S. Department of Education</u>			
Office of Elementary and Secondary Education			
Direct Programs:			
Indian Education	84.060		179,305
Passed-through the N.C. Department of Public Instruction:			
Title I, Grants to Local Educational Agencies	84.010	PRC 050	2,679,963
Reward School Mini Grant (Title I of ESEA)	84.010	PRC 100	6,571
Improving Teacher Quality	84.367	PRC 103	325,834
Education for Homeless Children and Youth	84.196	PRC 026	10,785
Rural and Low Income Schools	84.358	PRC 109	97,087
Race to the Top - ARRA	84.395	PRC 154, 156	31,915
Passed-through the University of North Carolina - Chapel Hill:			
Gear Up NC Grant	84.334		169,963

**SCOTLAND COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Fiscal Year Ended June 30, 2015**

<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	1,166,310
Coordinated Early Intervening Services	84.027	PRC 070	169,560
Special Needs Targeted Assistance	84.027	PRC 118	237,396
Preschool Grants - IDEA, Part B (619)	84.173	PRC 049	57,074
Preschool Targeted Assistance	84.173	PRC 119	2,638
Total Special Education Cluster			<u>1,632,978</u>
Title VI-B, Education of the Handicapped	84.323	PRC 082	5,208
Career and Technical Education - Basic Grants to States			
CTE - Capacity Building Grants	84.048	PRC 058	2,640
Program Development	84.048	PRC 017	108,749
Total U.S. Department of Education			<u>5,250,998</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	9,108
<u>U.S. Department of Defense</u>			
Direct Program:			
ROTC	None		59,265
<b>Total Federal Assistance</b>			<b><u>9,120,458</u></b>
<b>State Grants:</b>			
<u>N.C. Department of Public Instruction</u>			
Cash Assistance:			
State Public School Fund			37,699,700
Vocational Education:			
State Months of Employment		PRC 013	1,828,096
Program Support Funds		PRC 014	217,887
Driver Training		PRC 012	113,795
School Technology Fund		PRC 015	99,278
Passed-through Scotland County:			
Public School Capital Fund - Lottery			147,300
Cash assistance subtotal			<u>40,106,056</u>

**SCOTLAND COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Fiscal Year Ended June 30, 2015**

<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			<u>185,985</u>
Total NC Department of Public Instruction			<u>40,292,041</u>
<u>N.C. Department of Health and Human Services</u> Division of Child Development: NC Pre-Kindergarten Program			<u>1,260,957</u>
<b>Total State Assistance</b>			<b><u>41,552,998</u></b>
<b>Total Federal and State Assistance</b>			<b><u>\$ 50,673,456</u></b>

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

1. Basis of Presentation

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