

*'Education is the
most powerful
weapon which you
can use to change
the world.'*
-Nelson Mandela

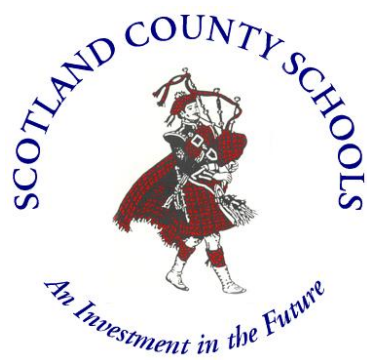
Scotland County Board of Education Comprehensive Annual Financial Report

**For the fiscal year ending June 30, 2015
Laurinburg, North Carolina**

*Scotland County Board of Education
Laurinburg, North Carolina*

**Comprehensive Annual
Financial Report
For the Fiscal Year Ended
June 30, 2015**

Prepared by
Jay C. Toland
and the
Finance Department



SCOTLAND COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
Board Members and Principal Officers	iv
Organizational Chart	v
Elementary School Attendance Zones	vi
Middle School Attendance Zones	vii
Townships	viii
Certificate of Achievement for Excellence in Financial Reporting – GFOA	ix
Certificate of Excellence in Financial Reporting – ASBO	x

FINANCIAL SECTION

<u>Exhibit</u>		<u>Page No.</u>
	Independent Auditors' Report.....	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	11
2	Statement of Activities	12
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	13
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Annually Budgeted Major Special Revenue Funds.....	16
7	Statement of Net Position - Proprietary Fund Type	19
8	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund Type	20
9	Statement of Cash Flows - Proprietary Fund Type.....	21
10	Statement of Fiduciary Net Position	22
11	Statement of Changes in Fiduciary Net Position	23
	Notes to the Financial Statements	24
	Required Supplementary Information:	
	Schedule of the Board's Proportionate Share of the Net Pension Liability.....	42
	Schedule of Board Contributions	43
	Individual Fund Schedules:	
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	44
	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Individual Schools Fund.....	46
	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Capital Outlay Fund.....	47
	Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) School Food Service Fund	48

SCOTLAND COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS (continued)

<u>Table</u>	<u>STATISTICAL SECTION</u>	<u>Page No.</u>
1	Financial Perspective for Governmental and Business-type Activities	51
2	Net Position by Component.....	52
3	Changes in Net Position.....	54
4	Governmental Funds – Fund Balances.....	56
5	Governmental Funds – Changes in Fund Balances	58
6	Operational Expenditures Per Pupil – Expenditures by Function.....	60
7	Proprietary Fund – Food Services Operations – Revenues by Source.....	62
8	Proprietary Fund – Food Services Operations – Expenses by Category.....	64
9	Ratios of Outstanding Debt by Type	66
10	Average Daily Membership	67
11	Student Statistics.....	68
12	Full-time Equivalent Governmental Employees by Function/Program	70
13	Instructional Personnel.....	71
14	School Building Data	72
	Scotland County, North Carolina	
15	Demographic Statistics	73
16	Principal Employers	74
17	Ratios of Outstanding Debt by Type	75
18	Principal Property Taxpayers	76
19	Property Tax Levies and Current Collections	77



Introductory Section



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

November 18, 2015

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

In compliance with the Public School Laws of North Carolina, the Comprehensive Annual Financial Report of the Scotland County Board of Education, operating as the "Scotland County Schools," for the fiscal year ended June 30, 2015, is herewith submitted. Responsibility for the accuracy, completeness, and clarity of the report rests with the Superintendent and the Chief Financial Officer.

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

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

REPORTING ENTITY

The Scotland County Board of Education (Board), elected by the citizens of Scotland County, is the level of government having oversight responsibility and control over activities related to the public schools in Scotland County, North Carolina. N.C. General Statutes empower the Scotland County Board of Education with general control and supervision of all matters pertaining to the schools in the system. For the 2014-2015 fiscal year, the school system served approximately 5,900 students from kindergarten through 12th grade in 8 elementary schools, 3 middle schools, 1 high school and 2 special/alternative schools. The school system provides general, special, and vocational education services. The school system receives local, State, and federal government funding and must comply with the legal requirements of each funding source entity. While the Board does receive county funding, the county is not entitled to share in any surplus nor is it required to finance any deficits. The Board has no tax levying or borrowing authority and is required to maintain accounting records according to a Uniform State format.

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

FINANCIAL AND BUDGETARY CONTROL

In order to meet the challenging learning experiences provided to the students attending Scotland County Schools, the Board must use a variety of funding resources, including local, State, federal and private grants while complying with legal requirements of each funding source entity. In doing so, the Board is unable to summarize all governmental financial transactions and balances in one accounting entity. Instead, the accounting system is divided into three separate entities; each referred to as a "fund." The Board's funds are divided into governmental, proprietary, and fiduciary. Each fund is a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities in accordance with legal requirements, generally accepted accounting principles, special regulations or other limitations. Governmental fund types include general, special revenue and capital projects. The enterprise fund is a proprietary fund type, with the administrative fund being a fiduciary fund type. The enterprise fund and

Letter of Transmittal *(continued)*

fiduciary fund are presented on a full accrual basis, while the other funds are maintained on a modified accrual basis.

Internal accounting controls are given consideration in developing and improving the Board's accounting system. Internal controls are designed to provide reliability of financial records for preparing financial statements and maintaining accountability for assets and are to provide reasonable assurance regarding the safeguarding of assets from unauthorized use or disposition. The cost of a control should not exceed the benefits derived, therefore, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. We believe that the Board's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

MAJOR INITIATIVES

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

- Scotland County Schools will produce high performance students;
- Reduce the number of drop outs the district has;
- Increase communication between all stakeholders;
- Focus on data driven instruction;
- Establish curricula in every academic discipline that prepares all students to be college and career ready.
- Ensure a safe and healthy learning environment.
- Reduce the number of out of school suspensions;
- Graduate students career and college ready.

As required by the State Department of Public Instruction, Scotland County Schools maintains a ten-year facilities plan that has been submitted and approved by the County Commissioners and the State Department of Public Instruction.

ECONOMIC CONDITION AND OUTLOOK

The financial health of the Scotland County Board of Education is largely dependent upon the economic prospects of the State of North Carolina and of the County of Scotland. The State of North Carolina has felt the effects of the nationwide financial crisis since the second half of 2008.

Scotland County has a population of approximately 36,000 with very little growth experienced over the past ten years. Over the past decade, Scotland County has lost numerous manufacturing jobs. Several of the largest employers, including State of North Carolina, The Mega Force Staffing Group, and WestPoint Stevens – combined amounting to approximately 3,000 jobs – have ceased operations in Scotland County within the last ten years. Currently, Scotland County Schools and the Scotland Memorial Hospital are the two largest employers in the county.

Letter of Transmittal *(continued)*

The Board of County Commissioners kept the local county appropriation virtually the same as the previous year. Local county appropriations remain approximately \$940,000 lower than they were five years ago. As a result of the decrease in funding, the Board of Education has had to continue to reduce overall costs in the school system.

Scotland County Board of Education has experienced a steady decline in student enrollment of approximately 1% per year over the past five years. Due to the economic issues facing Scotland County and lack of growth, the Board expects this trend to continue for the foreseeable future.

INDEPENDENT AUDIT

Anderson Smith & Wike PLLC has audited the financial records and transactions of the Scotland County Board of Education for the year ended June 30, 2015. They are a firm of independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the State Single Audit Implementation Act. The auditors' report is included in the financial section of this report.

FINANCIAL REPORTING AWARDS

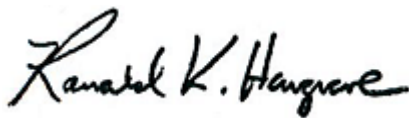
The Government Finance Officers Association of the United States and Canada (GFOA) and the Association of School Business Officials (ASBO) awarded Certificates of Achievement for Excellence in Financial Reporting to the Board for its comprehensive annual financial report for the year ended June 30, 2014. In order to be awarded Certificates of Achievement, the Board published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Dr. Ronald K. Hargrave
Superintendent



Jay C. Toland
Chief Financial Officer

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

July 1, 2014 - June 30, 2015

Board Members

Dr. Jeff Byrd, *Chairman*
Pat Gates, *Vice-Chairman*

Charles Brown
Darell "B.J." Gibson
Jamie Sutherland

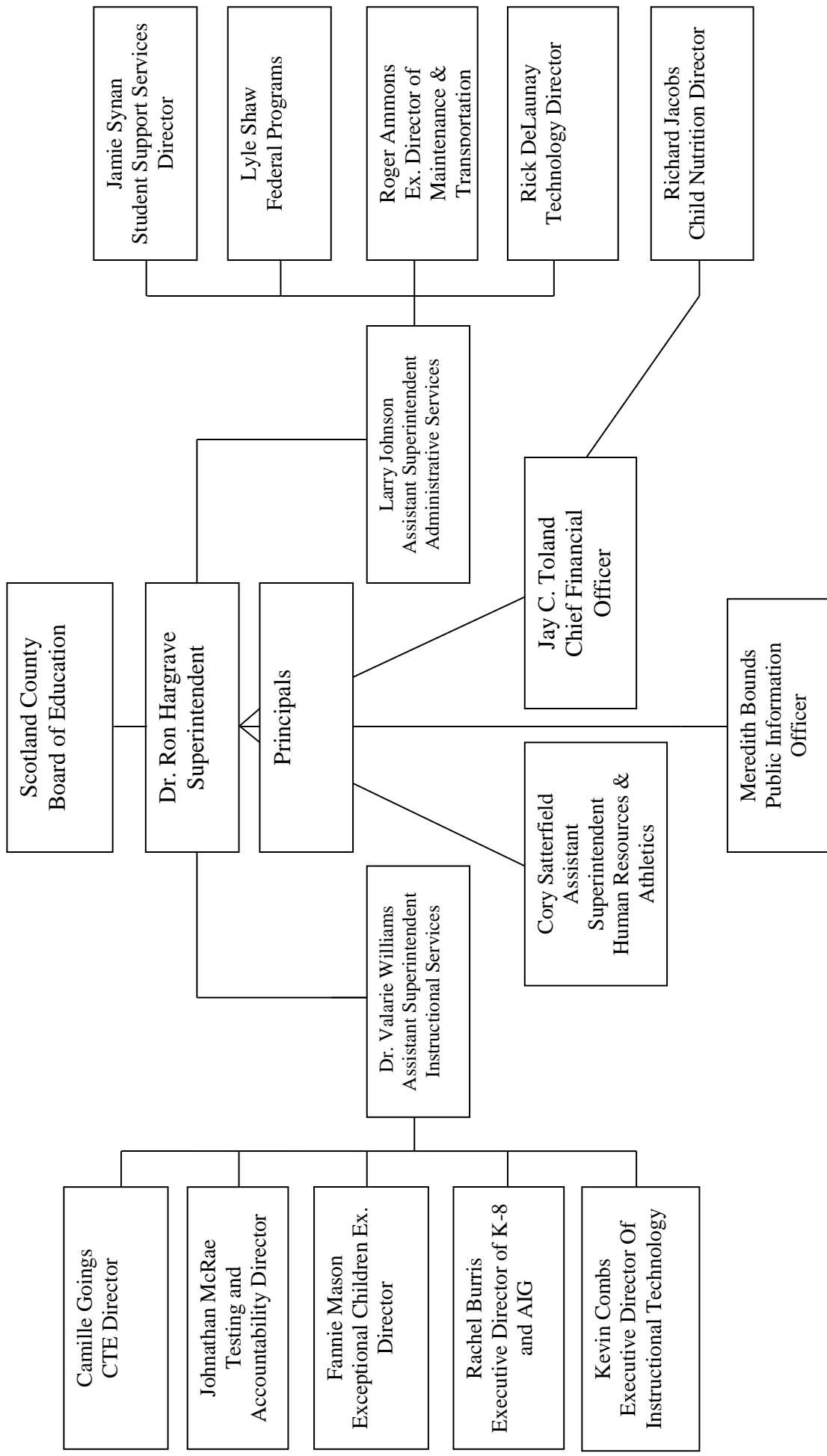
Wayne Cromartie
Dr. Summer Stanley
Raymond Hyatt

Principal Officers

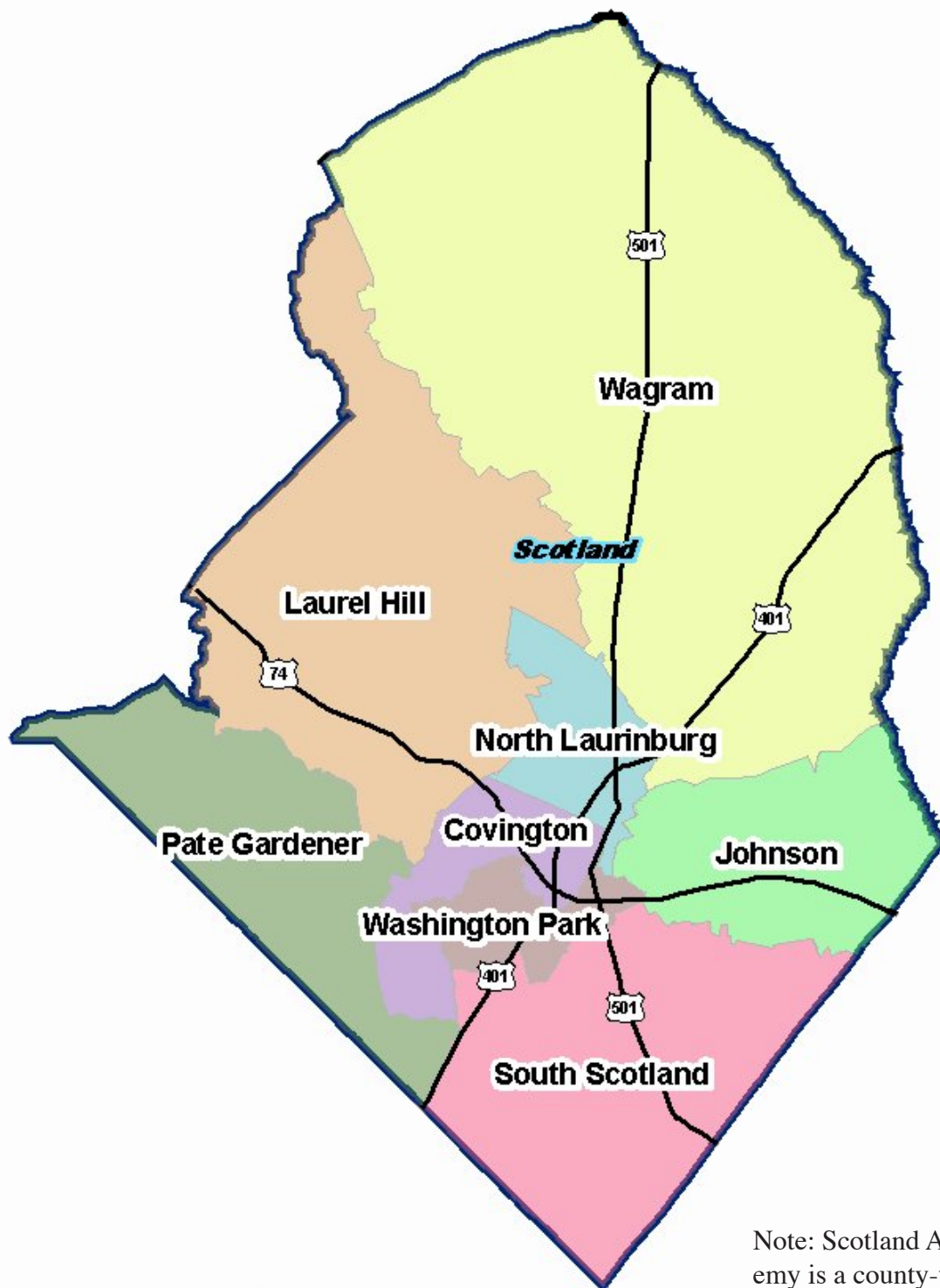
Dr. Ron Hargrave, *Superintendent*
Larry Johnson, *Assistant Superintendent of Administrative Services*
Dr. Valarie Williams, *Assistant Superintendent of Instructional Services*
Cory Satterfield, *Assistant Superintendent of Human Resources & Athletics*
Jay Toland, *Chief Financial Officer*
Meredith Bounds, *Public Information Officer*
Nick Sojka, *General Counsel*

Scotland County Schools

Organizational Structure 2014-2015



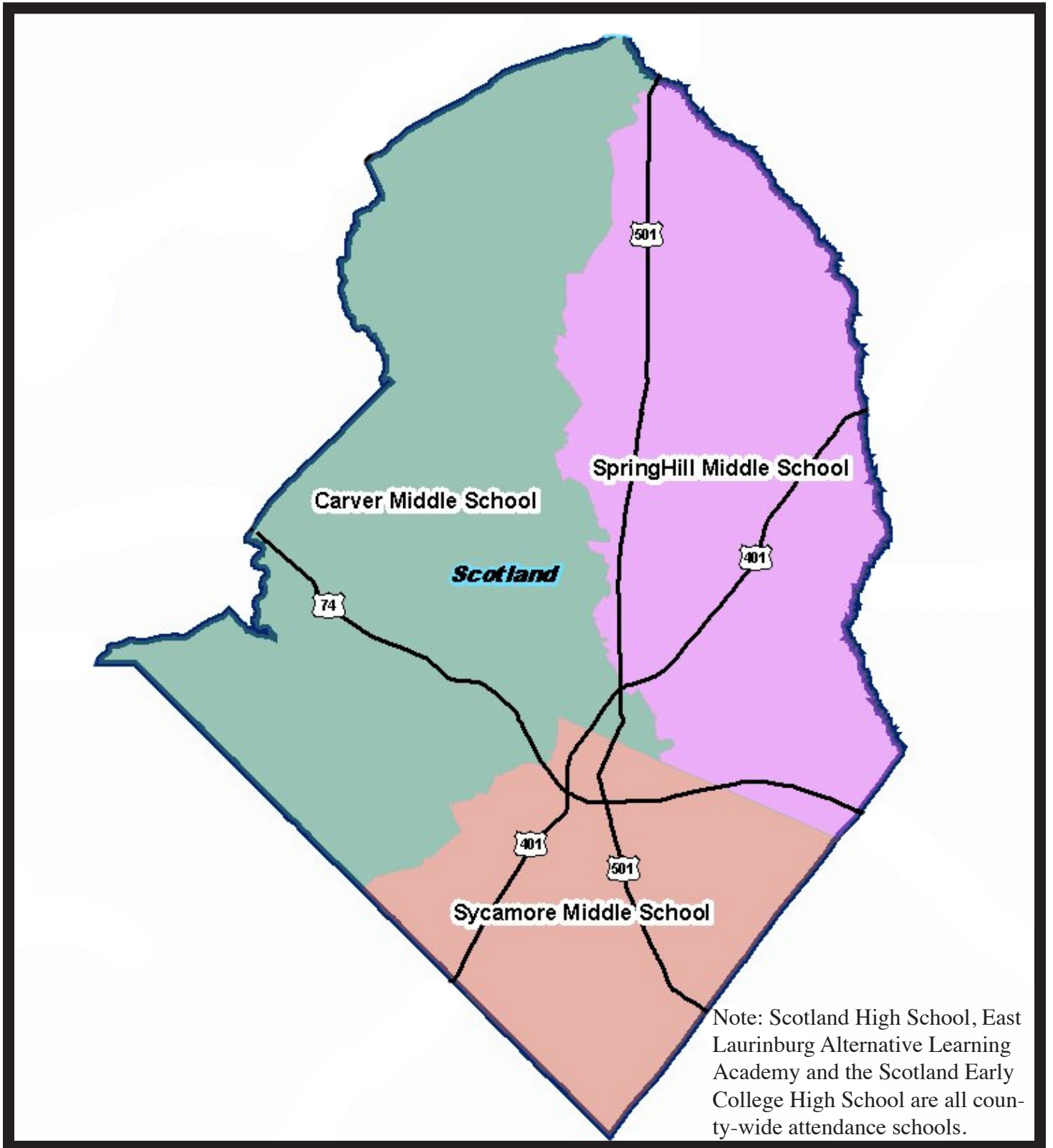
Scotland County Elementary School Attendance Zones



Note: Scotland Accelerated Academy is a county-wide attendance school.

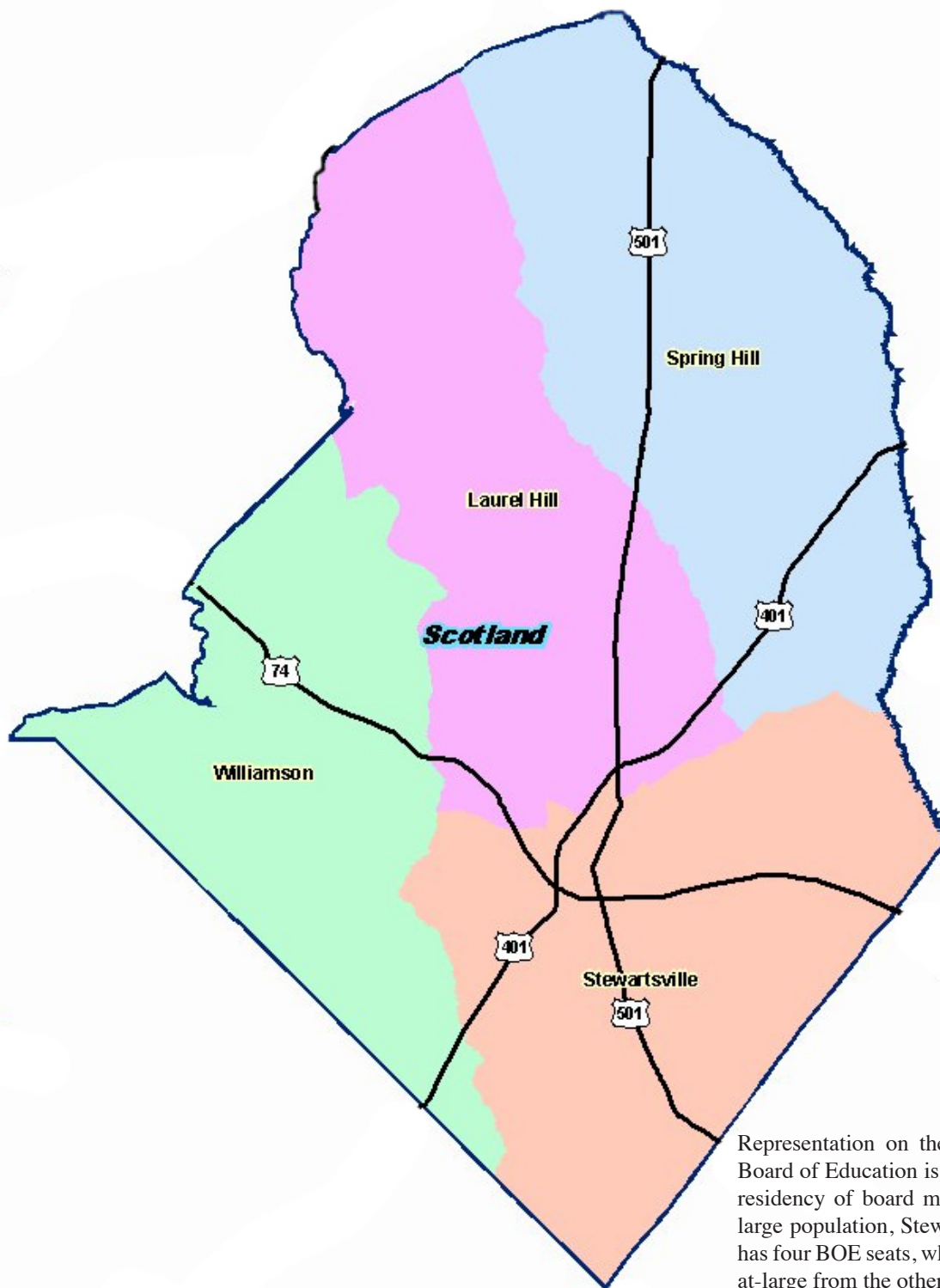
Source: "Scotland County, NC Elementary Attendance Zones." [map] 1:17693. Scotland County GIS [computer files]. Using: Connect GIS, 2010. Cary, NC. Connect 311, LLC, 2009-10.

Scotland County Middle School Attendance Zones



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

Scotland County Townships



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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Scotland County Board of Education
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Enser". The signature is fluid and cursive.

Executive Director/CEO

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Scotland County Board of Education

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Mark C. Pepera, MBA, RSBO, SFO
President

John D. Musso, CAE, RSBA
Executive Director



Financial Section



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 introductory section, individual nonmajor fund schedule, budgetary schedules, and the statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund schedule and budgetary schedules 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 and budgetary schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

SCOTLAND COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Scotland County Board of Education's (the "Board") financial report represents our discussion and analysis of the financial performance of the Board for the year ended June 30, 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

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

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	33,601,443	35,074,776	235,240	232,211	33,836,683	35,306,987
Total assets	39,172,748	40,220,234	1,561,126	1,445,818	40,733,874	41,666,052
Deferred outflows of resources	3,110,468	-	97,801	-	3,208,269	-
Current liabilities	4,194,908	4,022,605	139,591	144,243	4,334,499	4,166,848
Long-term liabilities	4,464,812	2,012,790	113,837	20,810	4,578,649	2,033,600
Total liabilities	8,659,720	6,035,395	253,428	165,053	8,913,148	6,200,448
Deferred inflows of resources	11,258,796	-	354,004	-	11,612,800	-
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)	(11,816,121)	(1,614,947)	816,255	1,048,554	(10,999,866)	(566,393)
Total net position	\$ 22,364,700	\$ 34,184,839	\$ 1,051,495	\$ 1,280,765	\$ 23,416,195	\$ 35,465,604

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.

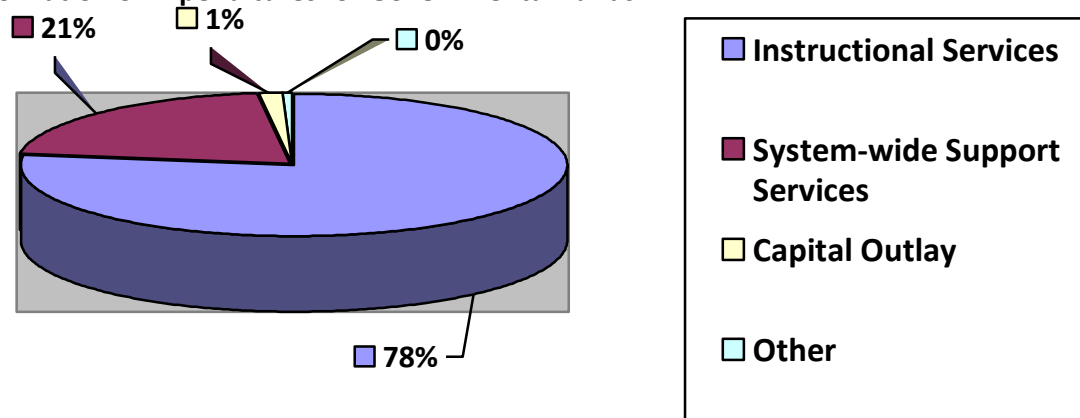
The Board's primary sources of revenues were funding from the State of North Carolina, Scotland County, and the United States Government, which respectively comprised 68.6%, 17.5% and 9.1% of our total governmental activities revenues. As would be expected, the major component of our expenditures was 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.

Categorization of Expenditures for Governmental Funds



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

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		
	Governmental Activities	Business-type Activities	Total
Assets			
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	33,601,443	235,240	33,836,683
Total assets	39,172,748	1,561,126	40,733,874
Deferred Outflows of Resources	3,110,468	97,801	3,208,269
Liabilities			
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	8,659,720	253,428	8,913,148
Deferred Inflows of Resources	11,258,796	354,004	11,612,800
Net position			
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)	(11,816,121)	816,255	(10,999,866)
Total net position	\$ 22,364,700	\$ 1,051,495	\$ 23,416,195

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

SCOTLAND COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Instructional services:							
Regular instructional	\$ 25,648,886	\$ -	\$ 21,104,605	\$ -	\$ (4,544,281)	\$ -	\$ (4,544,281)
Special populations	6,221,649	-	6,624,376	-	402,727	-	402,727
Alternative programs	5,093,413	-	5,071,256	-	(22,157)	-	(22,157)
School leadership	3,512,902	-	1,853,857	-	(1,659,045)	-	(1,659,045)
Co-curricular	1,561,548	1,167,088	-	-	(394,460)	-	(394,460)
School-based support	3,632,990	-	3,092,031	-	(540,959)	-	(540,959)
System-wide support services:							
Support and development	935,742	-	186,411	-	(749,331)	-	(749,331)
Special population support and development	848,684	-	779,027	-	(69,657)	-	(69,657)
Alternative programs and services support and development	269,128	-	268,751	-	(377)	-	(377)
Technology support	514,362	-	48,577	-	(465,785)	-	(465,785)
Operational support	8,461,272	-	3,893,771	185,985	(4,381,516)	-	(4,381,516)
Financial and human resource services	802,308	8,355	465,848	-	(328,105)	-	(328,105)
Accountability	168,504	-	1,143	-	(167,361)	-	(167,361)
System-wide pupil support	58,718	-	2,437	-	(56,281)	-	(56,281)
Policy, leadership and public relations	1,066,262	-	412,078	-	(654,184)	-	(654,184)
Ancillary services	-	-	-	-	-	-	-
Payments to other governments	3,087	-	97,323	-	94,236	-	94,236
Unallocated depreciation expense**	63,611	-	-	-	(63,611)	-	(63,611)
Total governmental activities	58,863,066	1,175,443	43,901,491	185,985	(13,600,147)	-	(13,600,147)
Business-type activities:							
School food service	3,730,859	252,184	3,611,719	-	-	133,044	133,044
Total primary government	\$ 62,593,925	\$ 1,427,627	\$ 47,513,210	\$ 185,985	(13,600,147)	133,044	(13,467,103)
General revenues:							
Unrestricted county appropriations - operating					10,614,325	-	10,614,325
Unrestricted county appropriations - capital					300,000	-	300,000
Unrestricted State appropriations - operating					3,413,266	-	3,413,266
Unrestricted State appropriation - capital					147,300	-	147,300
Investment earnings, unrestricted					4,542	2,245	6,787
Miscellaneous, unrestricted					478,401	3,368	481,769
Transfers					(45,001)	45,001	-
Total general revenues and transfers					14,912,833	50,614	14,963,447
Change in net position					1,312,686	183,658	1,496,344
Net position - beginning, as previously reported					34,184,839	1,280,765	35,465,604
Restatement					(13,132,825)	(412,928)	(13,545,753)
Net position - beginning, as restated					21,052,014	867,837	21,919,851
Net position - ending					\$ 22,364,700	\$ 1,051,495	\$ 23,416,195

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	
Assets						
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
Total assets	<u>\$ 3,495,620</u>	<u>\$ 1,570,909</u>	<u>\$ 117,036</u>	<u>\$ 96,154</u>	<u>\$ 291,586</u>	<u>\$ 5,571,305</u>
Liabilities and Fund balances						
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
Total liabilities	<u>650,983</u>	<u>1,570,909</u>	<u>117,036</u>	<u>94,628</u>	<u>-</u>	<u>2,433,556</u>
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
Total fund balances	<u>2,844,637</u>	<u>-</u>	<u>-</u>	<u>1,526</u>	<u>291,586</u>	<u>3,137,749</u>
Total liabilities and fund balances	<u>\$ 3,495,620</u>	<u>\$ 1,570,909</u>	<u>\$ 117,036</u>	<u>\$ 96,154</u>	<u>\$ 291,586</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	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)
Net position of governmental activities	<u>\$ 22,364,700</u>

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

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

Exhibit 4

	Major Funds				Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants	Capital Outlay	Individual Schools	
Revenues:						
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>
Expenditures:						
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**Exhibit 5****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015**

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
	Original Budget	Final Budget	Actual	Final Budget Positive (Negative)
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	11,831,608	13,499,992	13,486,221	(13,771)
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	11,981,608	13,649,992	13,104,168	545,824
Revenues over (under) expenditures	(150,000)	(150,000)	382,053	532,053
Other financing uses:				
Transfers to other funds	-	-	-	-
Fund balance appropriated	150,000	150,000	-	(150,000)
Net change in fund balance	\$ -	\$ -	382,053	\$ 382,053
Fund balances:				
Beginning of year			2,462,584	
End of year			\$ 2,844,637	

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
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
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	38,278,148	41,178,253	39,958,756	(1,219,497)
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	38,233,147	41,133,251	39,913,755	1,219,496
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	\$ -	\$ -	-	\$ -
Fund balances:				
Beginning of year			-	
End of year			\$ -	

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

SCOTLAND COUNTY BOARD OF EDUCATION
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

	Enterprise Fund Major Fund School Food Service
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,184,450
Due from other governments	149,941
Inventories	76,128
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>
Deferred Outflows of Resources	<u>97,801</u>
Liabilities	
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	9,450
Total current liabilities	<u>224,224</u>
Noncurrent liabilities:	
Net pension liability	90,497
Compensated absences	23,340
Total noncurrent liabilities	<u>113,837</u>
Total liabilities	<u>338,061</u>
Deferred Inflows of Resources	<u>354,004</u>
Net position	
Net investment in capital assets	235,240
Unrestricted	816,255
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 Major Fund School Food Service
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	3,730,859
Operating loss	(3,478,675)
Nonoperating revenues:	
Federal reimbursements	3,369,955
Federal commodities	241,764
Interest earned	2,245
Other	3,368
Total nonoperating revenues	3,617,332
Income before transfers	138,657
Transfers from other funds	45,001
Change in net position	183,658
Net position, beginning of year, as previously reported	1,280,765
Restatement	(412,928)
Net position, beginning of year, as restated	867,837
Net position, end of year	\$ 1,051,495

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 Major Fund School Food Service
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	(3,195,029)
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	3,220,303
Cash flows from capital and related financing activities:	
Purchase of capital assets	(60,602)
Cash flows from investing activities:	
Interest earned on investments	2,245
Net decrease in cash and cash equivalents	(33,083)
Cash and cash equivalents, beginning of year	1,217,533
Cash and cash equivalents, end of year	\$ 1,184,450
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (3,478,675)
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	(82)
Total adjustments	283,646
Net cash used by operating activities	\$ (3,195,029)

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**

Exhibit 10

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

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

Exhibit 11

	Private Purpose Trust Fund
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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

The Board reports the following major governmental funds:

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

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

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

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

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

The Board reports the following nonmajor governmental fund:

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

The Board reports the following major enterprise fund:

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

The Board reports the following fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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.

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

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.

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

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.

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

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:

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

<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

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

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

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

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>

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

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.

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

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

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	<u>\$ 3,208,269</u>	<u>\$ 11,612,800</u>

\$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	<u>\$ (11,612,800)</u>

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

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

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 (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
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

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:

	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	<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 15th 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:

	July 1, 2014	Increases	Decreases	June 30, 2015	Current Portion
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

\$ 45,001

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

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***

	2015	2014
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**

	<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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
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

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

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	4,272,700	3,792,732	479,968
Operating loss	(3,639,000)	(3,540,548)	98,452
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	3,639,000	3,617,332	(21,668)
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	\$ -	121,785	\$ 121,785
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		(31,573)	
Change in net position (full accrual)		\$ 183,658	



Statistical Section

STATISTICAL SECTION

(Unaudited)

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

Sections

Financial Trends

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

Revenue Capacity

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

Debt Capacity

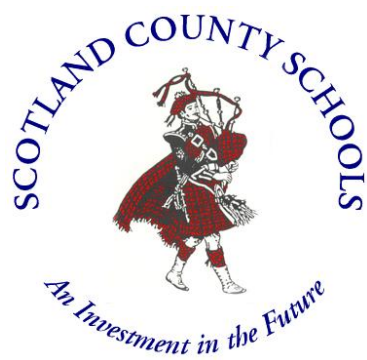
Since the District has no tax-levying or debt-issuing authority, the County of Scotland provides significant funding to the school system. Selected fiscal data from the County of Scotland has been included to help the reader better understand the school system and its financial operations.

Demographic and Economic Information

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

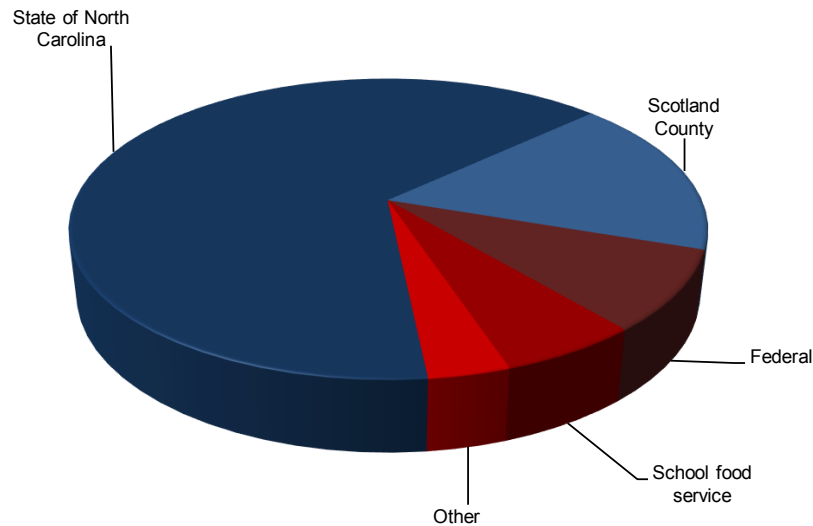
Operating Information

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



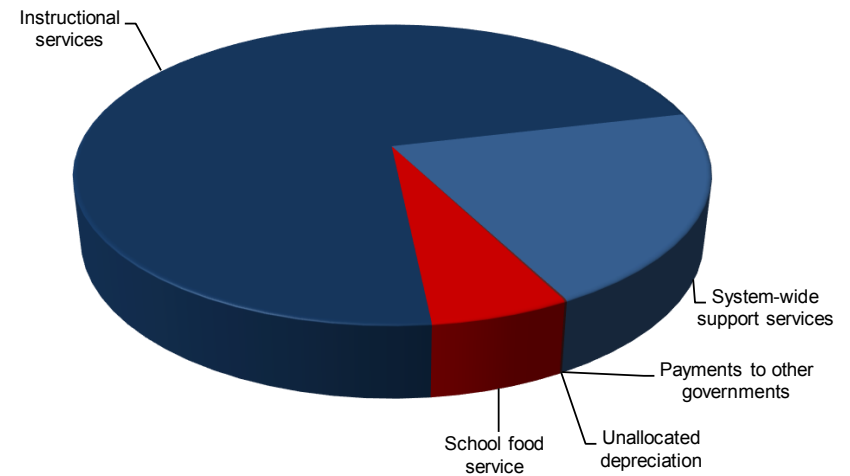
SCOTLAND COUNTY BOARD OF EDUCATION
Financial Perspective
Governmental and Business-type Activities
For Year Ended June 30, 2015

Revenue Sources



State of North Carolina	\$ 41,552,998
Scotland County	10,914,325
Federal	5,508,739
School food service	3,869,516
Other	2,244,691
	<hr/>
Total revenue sources	<u><u>\$ 64,090,269</u></u>

Expenses



Instructional services	\$ 45,671,388
System-wide support services	13,124,980
Payments to other governments	3,087
Unallocated depreciation	63,611
School food service	3,730,859
	<hr/>
Total expenses	<u><u>\$ 62,593,925</u></u>

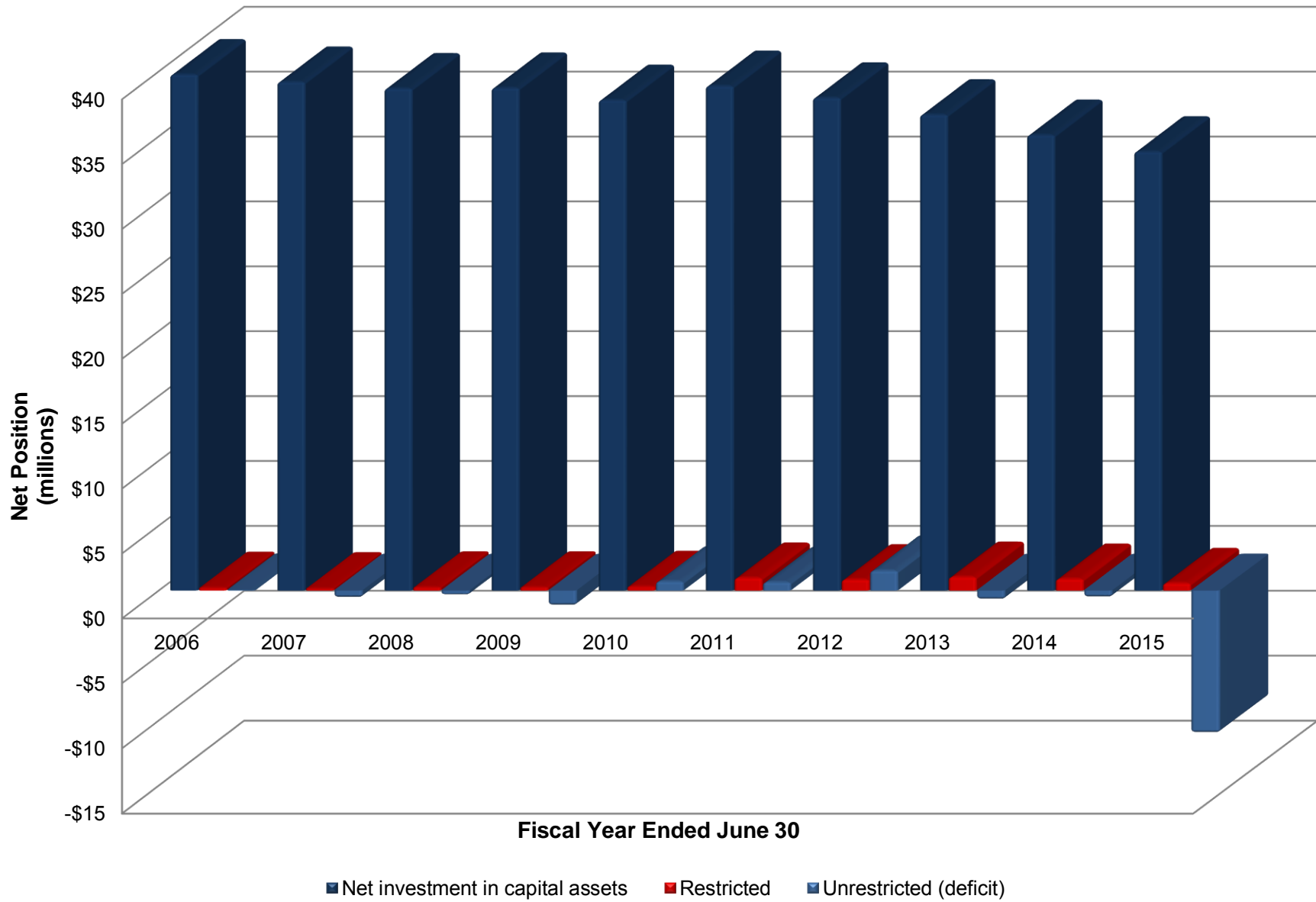
SCOTLAND COUNTY BOARD OF EDUCATION

Net Position by Component Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 39,367,778	\$ 38,815,374	\$ 38,385,595	\$ 38,443,906	\$ 37,486,907	\$ 38,611,421	\$ 37,708,562	\$ 36,438,455	\$ 34,888,790	\$ 33,601,443
Restricted	239,656	187,006	271,093	273,640	323,558	991,395	860,894	1,060,468	910,996	579,378
Unrestricted (deficit)	(401,413)	(1,259,780)	(1,084,697)	(1,845,038)	(35,736)	(134,957)	748,079	(1,634,895)	(1,614,947)	(11,816,121)
	<u>\$ 39,206,021</u>	<u>\$ 37,742,600</u>	<u>\$ 37,571,991</u>	<u>\$ 36,872,508</u>	<u>\$ 37,774,729</u>	<u>\$ 39,467,859</u>	<u>\$ 39,317,535</u>	<u>\$ 35,864,028</u>	<u>\$ 34,184,839</u>	<u>\$ 22,364,700</u>
Business-type activities:										
Invested in capital assets	\$ 411,828	\$ 395,026	\$ 318,474	\$ 305,023	\$ 324,314	\$ 282,478	\$ 281,373	\$ 246,665	\$ 232,211	\$ 235,240
Unrestricted	452,211	659,804	704,060	647,524	753,847	791,323	793,317	897,384	1,048,554	816,255
	<u>\$ 864,039</u>	<u>\$ 1,054,830</u>	<u>\$ 1,022,534</u>	<u>\$ 952,547</u>	<u>\$ 1,078,161</u>	<u>\$ 1,073,801</u>	<u>\$ 1,074,690</u>	<u>\$ 1,144,049</u>	<u>\$ 1,280,765</u>	<u>\$ 1,051,495</u>
District-wide:										
Net investment in capital assets	\$ 39,779,606	\$ 39,210,400	\$ 38,704,069	\$ 38,748,929	\$ 37,811,221	\$ 38,893,899	\$ 37,989,935	\$ 36,685,120	\$ 35,121,001	\$ 33,836,683
Restricted	239,656	187,006	271,093	273,640	323,558	991,395	860,894	1,060,468	910,996	579,378
Unrestricted (deficit)	50,798	(599,976)	(380,637)	(1,197,514)	718,111	656,366	1,541,396	(737,511)	(566,393)	(10,999,866)
	<u>\$ 40,070,060</u>	<u>\$ 38,797,430</u>	<u>\$ 38,594,525</u>	<u>\$ 37,825,055</u>	<u>\$ 38,852,890</u>	<u>\$ 40,541,660</u>	<u>\$ 40,392,225</u>	<u>\$ 37,008,077</u>	<u>\$ 35,465,604</u>	<u>\$ 23,416,195</u>

Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

Net Position by Component District-wide



SCOTLAND COUNTY BOARD OF EDUCATION

Changes in Net Position
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
Instructional services	\$ 43,925,918	\$ 47,811,605	\$ 56,080,419	\$ 56,454,966	\$ 52,572,075	\$ 52,617,939	\$ 48,342,948	\$ 50,422,505	\$ 46,706,197	\$ 45,671,388
System-wide support services	15,140,810	17,637,797	13,727,140	12,905,855	13,914,561	15,199,322	13,126,508	13,866,711	14,042,012	13,124,980
Ancillary services	80,495	94,597	349,169	90,944	56,888	34,693	18,753	41,819	38,127	-
Payments to other governments	34,080	46,416	16,164	-	14,794	18,213	29,699	10,690	11,736	3,087
Unallocated depreciation expense	1,204,446	1,223,034	1,159,897	153,727	242,858	244,679	183,211	95,222	71,005	63,611
Total governmental activities expenses	60,385,749	66,813,449	71,332,789	69,605,492	66,801,176	68,114,846	61,701,119	64,436,947	60,869,077	58,863,066
Business-type activities:										
School food service	3,426,330	3,370,520	3,666,494	3,747,981	3,638,656	3,733,515	3,789,037	3,824,003	3,480,542	3,730,859
Total district-wide expenses	\$ 63,812,079	\$ 70,183,969	\$ 74,999,283	\$ 73,353,473	\$ 70,439,832	\$ 71,848,361	\$ 65,490,156	\$ 68,260,950	\$ 64,349,619	\$ 62,593,925
Program Revenues										
Governmental activities:										
Charges for services:										
Co-curricular services	\$ 1,346,240	\$ 1,277,287	\$ 1,328,443	\$ 1,178,816	\$ 1,175,488	\$ 1,132,331	\$ 1,348,607	\$ 1,244,668	\$ 1,271,393	\$ 1,167,088
Other	13,529	13,073	21,038	-	77,921	62,097	27,346	10,419	6,837	8,355
Operating grants and contributions	44,384,910	48,875,261	52,360,993	53,878,117	49,036,181	49,505,224	44,465,233	44,125,109	43,016,281	43,901,491
Capital grants and contributions	682,901	633,200	587,284	416,800	462,494	685,793	198,983	570,948	185,985	185,985
Total governmental activities program revenues	46,427,580	50,798,821	54,297,758	55,473,733	50,752,084	51,385,445	46,040,169	45,951,144	44,480,496	45,262,919
Business-type activities:										
Charges for services:										
Student meal services	864,365	773,479	834,891	818,719	715,572	677,169	651,528	584,341	538,734	252,184
Operating grants and contributions	2,627,725	2,769,292	2,781,273	2,850,645	2,962,039	2,999,312	3,093,382	3,262,049	3,030,109	3,611,719
Capital grants and contributions	-	-	-	-	36,693	-	-	-	-	-
Total business-type activities program revenues	3,492,090	3,542,771	3,616,164	3,669,364	3,714,304	3,676,481	3,744,910	3,846,390	3,568,843	3,863,903
Total district-wide program revenues	\$ 49,919,670	\$ 54,341,592	\$ 57,913,922	\$ 59,143,097	\$ 54,466,388	\$ 55,061,926	\$ 49,785,079	\$ 49,797,534	\$ 48,049,339	\$ 49,126,822
Net (Expense) Revenue										
Governmental activities	\$(13,958,169)	\$(16,014,628)	\$(17,035,031)	\$(14,131,759)	\$(16,049,092)	\$(16,729,401)	\$(15,660,950)	\$(18,485,803)	\$(16,388,581)	\$(13,600,147)
Business-type activities	65,760	172,251	(50,330)	(78,617)	75,648	(57,034)	(44,127)	22,387	88,301	133,044
Total district-wide net expense	\$(13,892,409)	\$(15,842,377)	\$(17,085,361)	\$(14,210,376)	\$(15,973,444)	\$(16,786,435)	\$(15,705,077)	\$(18,463,416)	\$(16,300,280)	\$(13,467,103)

SCOTLAND COUNTY BOARD OF EDUCATION
Changes in Net Position (continued)
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Unrestricted county appropriations - operating	\$ 9,386,584	\$ 9,855,913	\$ 10,317,106	\$ 10,941,400	\$ 10,871,381	\$ 10,688,920	\$ 10,131,384	\$ 10,075,654	\$ 10,139,325	\$ 10,614,325
Unrestricted county appropriations - capital	-	675,188	815,696	1,217,559	680,015	2,846,715	699,349	260,000	198,000	300,000
Unrestricted State appropriations - operating	2,266,967	3,145,859	1,308,491	-	3,612,398	3,744,507	3,839,717	3,879,296	3,444,788	3,413,266
Unrestricted Federal appropriations - operating	-	-	-	-	7,332	6,931	-	-	-	-
Unrestricted State appropriations - capital	-	395,008	1,191,085	576,797	825,907	659,453	415,000	176,225	373,000	147,300
Unrestricted Federal appropriations - capital	-	-	-	227,353	-	-	-	-	-	-
Investment earnings, unrestricted	78,165	61,202	76,964	20,271	33,730	37,220	21,170	13,791	5,880	4,542
Miscellaneous, unrestricted	416,724	418,037	3,155,080	448,896	965,550	488,147	438,753	542,894	593,400	478,401
Transfers	-	-	-	-	(45,000)	(49,362)	(34,747)	(45,000)	(45,001)	(45,001)
Total governmental activities	12,148,440	14,551,207	16,864,422	13,432,276	16,951,313	18,422,531	15,510,626	14,902,860	14,709,392	14,912,833
Business-type activities:										
Unrestricted State appropriations - operating	-	-	3,068	-	-	-	-	-	-	-
Investment earnings, unrestricted	6,215	18,540	14,966	8,630	4,966	3,312	2,631	1,972	1,562	2,245
Miscellaneous, unrestricted	-	-	-	-	-	-	7,638	-	1,852	3,368
Transfers	-	-	-	-	45,000	49,362	34,747	45,000	45,001	45,001
Total business-type activities	6,215	18,540	18,034	8,630	49,966	52,674	45,016	46,972	48,415	50,614
Total district-wide	\$ 12,154,655	\$ 14,569,747	\$ 16,882,456	\$ 13,440,906	\$ 17,001,279	\$ 18,475,205	\$ 15,555,642	\$ 14,949,832	\$ 14,757,807	\$ 14,963,447
Change in Net Position										
Governmental activities	\$ (1,809,729)	\$ (1,463,421)	\$ (170,609)	\$ (699,483)	\$ 902,221	\$ 1,693,130	\$ (150,324)	\$ (3,582,943)	\$ (1,679,189)	\$ 1,312,686
Business-type activities	71,975	190,791	(32,296)	(69,987)	125,614	(4,360)	889	69,359	136,716	183,658
Total district-wide change in net position	\$ (1,737,754)	\$ (1,272,630)	\$ (202,905)	\$ (769,470)	\$ 1,027,835	\$ 1,688,770	\$ (149,435)	\$ (3,513,584)	\$ (1,542,473)	\$ 1,496,344

Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

SCOTLAND COUNTY BOARD OF EDUCATION

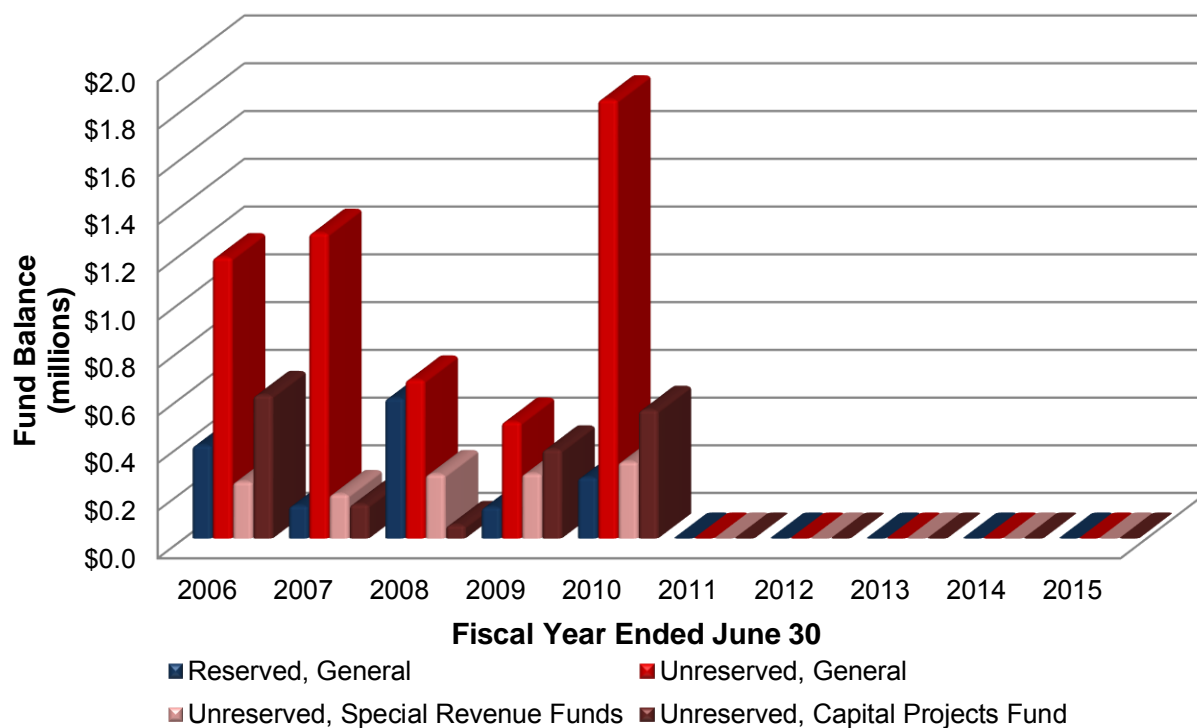
Governmental Funds Fund Balances Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	\$ 392,484	\$ 138,344	\$ 590,056	\$ 132,020	\$ 257,261	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,180,066	1,282,040	667,721	491,819	1,840,867	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	39,700
Restricted	-	-	-	-	-	227,502	209,752	399,399	436,934	286,266
Assigned	-	-	-	-	-	1,950,000	1,937,297	600,000	150,000	511,000
Unassigned	-	-	-	-	-	899,569	1,866,451	1,343,090	1,875,650	2,007,671
Total General Fund	\$ 1,572,550	\$ 1,420,384	\$ 1,257,777	\$ 623,839	\$ 2,098,128	\$ 3,077,071	\$ 4,013,500	\$ 2,342,489	\$ 2,462,584	\$ 2,844,637
All other governmental funds:										
Reserved	\$ 85,331	\$ 11,013	\$ 499,258	\$ 194,645	\$ 111,266	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	239,656	187,006	271,093	273,640	323,558	-	-	-	-	-
Capital Projects Fund	602,783	144,203	56,665	375,016	540,863	-	-	-	-	-
Restricted	-	-	-	-	-	763,893	651,142	661,069	474,062	293,112
Total all other governmental funds	\$ 927,770	\$ 342,222	\$ 827,016	\$ 843,301	\$ 975,687	\$ 763,893	\$ 651,142	\$ 661,069	\$ 474,062	\$ 293,112

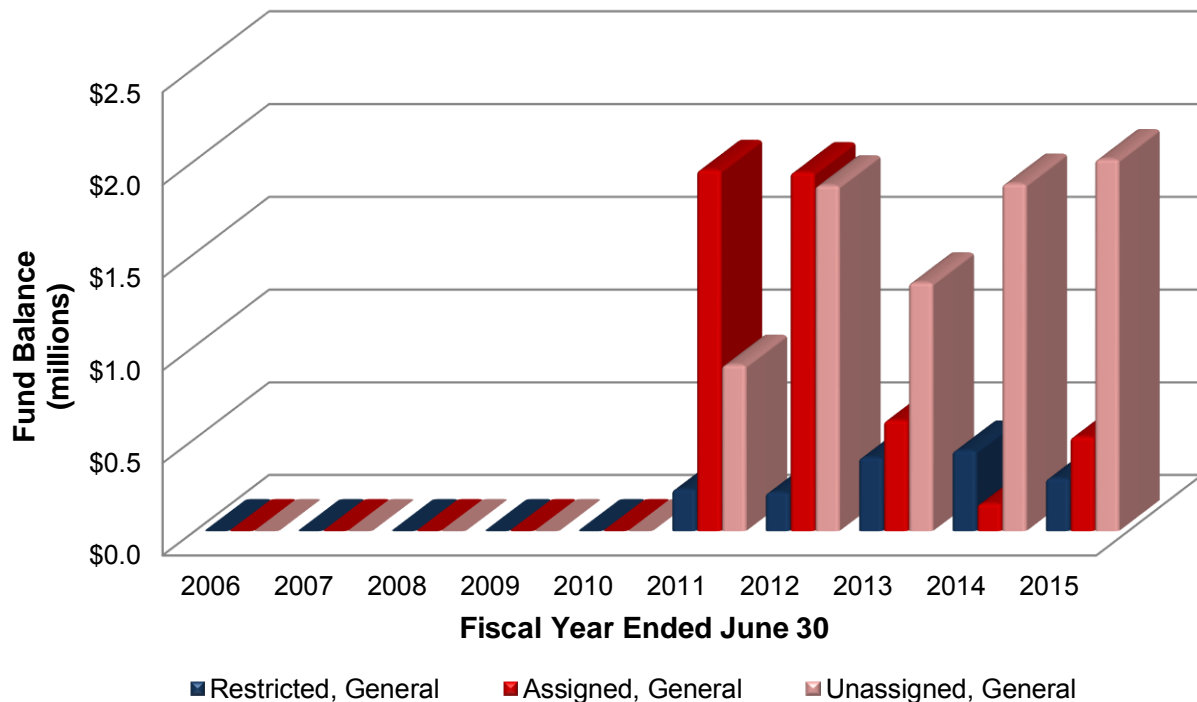
Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

Governmental Funds Fund Balances - Before GASB 54 Implementation



Governmental Funds Fund Balances - After GASB 54 Implementation



SCOTLAND COUNTY BOARD OF EDUCATION

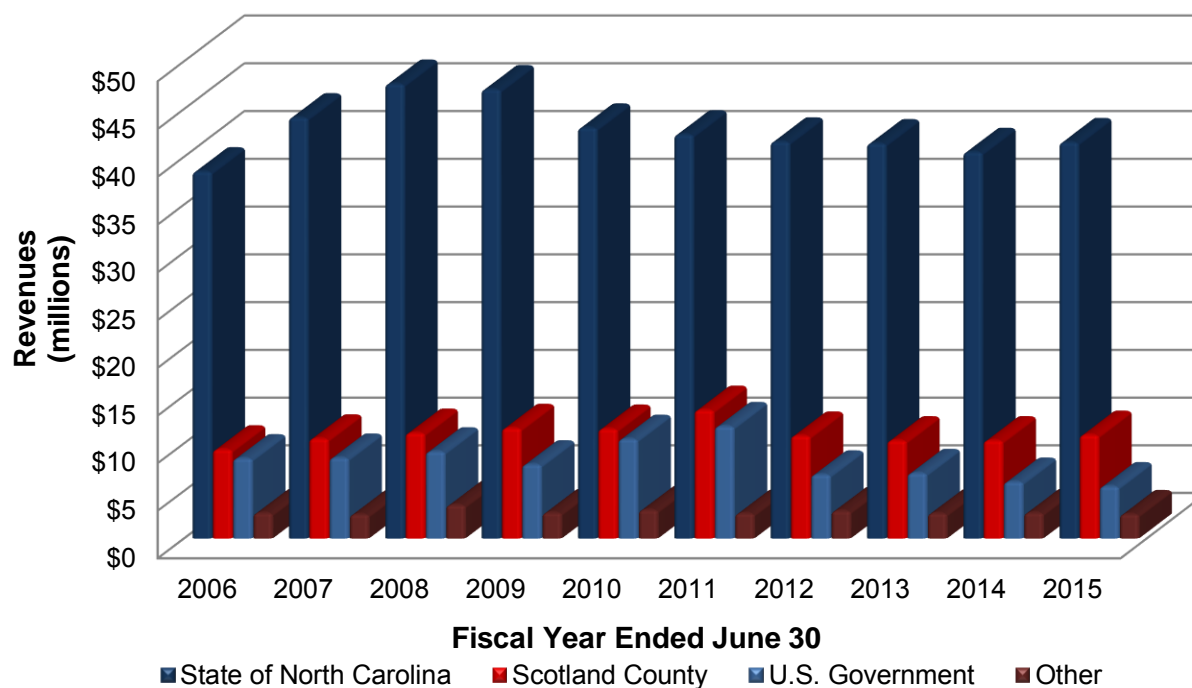
Governmental Funds Changes in Fund Balances Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010
Revenues					
State of North Carolina	\$ 38,491,871	\$ 44,147,565	\$ 47,664,361	\$ 47,086,600	\$ 43,074,009
Scotland County	9,386,584	10,531,101	11,132,802	11,630,651	11,551,396
U.S. Government	8,445,082	8,514,175	9,169,085	7,804,990	10,487,326
Other	2,704,307	2,553,021	3,542,273	2,735,585	3,023,712
Total revenues	59,027,844	65,745,862	71,508,521	69,257,826	68,136,443
Expenditures					
Instructional services	43,804,363	47,683,600	56,029,113	55,353,312	51,780,988
System-wide support services	15,001,966	16,342,111	12,505,434	12,306,397	12,568,419
Ancillary services	80,495	94,597	349,169	90,944	56,888
Non-programmed charges	255,933	227,985	168,443	86,163	232,697
Debt service	284,517	251,890	158,309	576,797	364,963
Capital outlay	347,419	2,180,022	2,004,460	2,559,003	1,480,813
Total expenditures	59,774,693	66,780,205	71,214,928	70,972,616	66,484,768
Revenues over (under) expenditures	(746,849)	(1,034,343)	293,593	(1,714,790)	1,651,675
Other financing sources (uses)					
Transfers to other funds	-	-	-	-	(45,000)
Installment purchase obligations	-	333,250	70,839	1,094,888	-
Total other financing sources (uses)	-	333,250	70,839	1,094,888	(45,000)
Net change in fund balances	\$ (746,849)	\$ (701,093)	\$ 364,432	\$ (619,902)	\$ 1,606,675
Ratio of debt service expenditures to total non-capital expenditures	0.48%	0.39%	0.23%	0.85%	0.56%
Year Ended June 30	2011	2012	2013	2014	2015
Revenues					
State of North Carolina	\$ 42,362,001	\$ 41,614,350	\$ 41,431,153	\$ 40,521,138	\$ 41,552,998
Scotland County	13,535,635	10,830,733	10,335,654	10,337,325	10,914,325
U.S. Government	11,823,722	6,741,541	6,898,683	5,985,094	5,508,739
Other	2,662,771	2,926,916	2,670,335	2,724,574	2,577,047
Total revenues	70,384,129	62,113,540	61,335,825	59,568,131	60,553,109
Expenditures					
Instructional services	51,388,210	47,111,554	48,828,633	45,482,352	46,518,694
System-wide support services	14,306,069	12,178,326	12,622,440	12,660,195	12,593,019
Ancillary services	34,693	18,753	41,819	38,127	-
Non-programmed charges	251,539	160,877	196,355	133,883	107,294
Debt service	685,793	198,983	570,948	185,985	185,986
Capital outlay	3,697,241	1,586,622	1,565,091	1,089,500	902,012
Total expenditures	70,363,545	61,255,115	63,825,286	59,590,042	60,307,005
Revenues over (under) expenditures	20,584	858,425	(2,489,461)	(21,911)	246,104
Other financing sources (uses)					
Transfers to other funds	(49,362)	(34,747)	(45,000)	(45,001)	(45,001)
Installment purchase obligations	795,927	-	743,941	-	-
Total other financing sources (uses)	746,565	(34,747)	698,941	(45,001)	(45,001)
Net change in fund balances	\$ 767,149	\$ 823,678	\$ (1,790,520)	\$ (66,912)	\$ 201,103
Ratio of debt service expenditures to total non-capital expenditures	1.04%	0.33%	0.93%	0.32%	0.31%

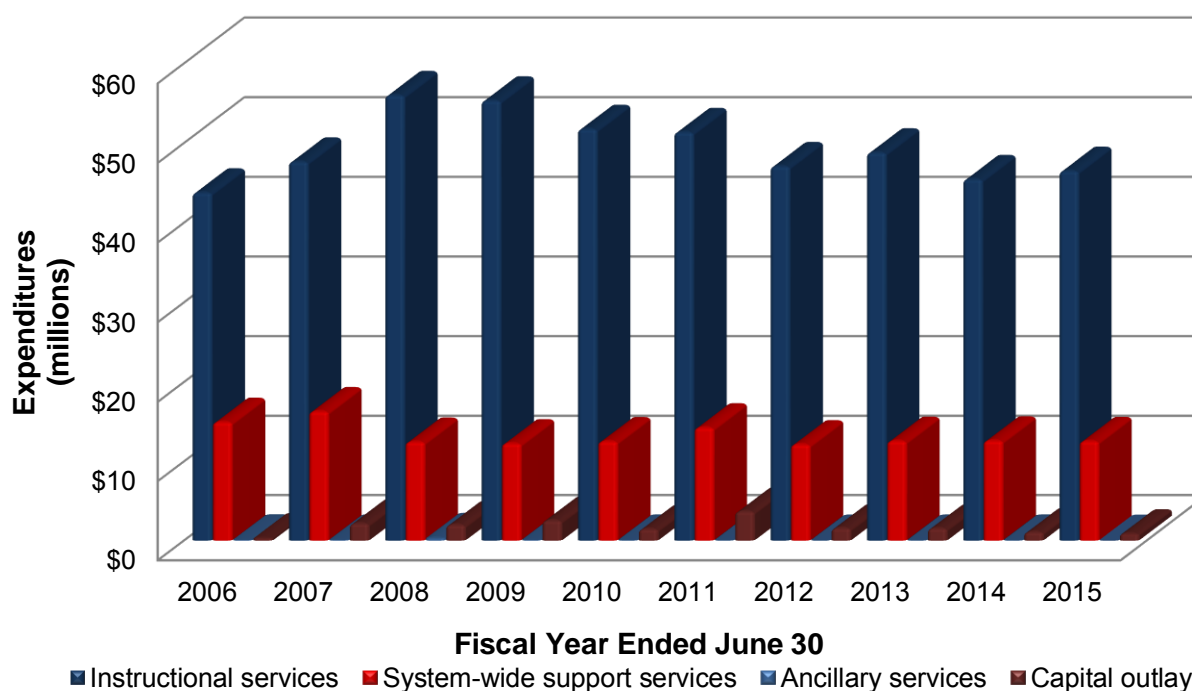
Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

Governmental Funds Revenues by Source



Governmental Funds Expenditures by Function



SCOTLAND COUNTY BOARD OF EDUCATION

Operational Expenditures Per Pupil

Expenditures by Function

Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Average Daily Membership	6,765	6,733	6,654	6,528	6,289
Instructional	\$ 6,475	\$ 7,082	\$ 8,420	\$ 8,479	\$ 8,234
System-wide support	2,218	2,427	1,879	1,885	1,998
Ancillary	12	14	52	14	9
Total expenditures per pupil	\$ 8,705	\$ 9,523	\$ 10,351	\$ 10,378	\$ 10,241

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2011	2012	2013	2014	2015
Average Daily Membership	6,153	6,046	6,055	6,013	5,924
Instructional	\$ 8,352	\$ 7,792	\$ 8,064	\$ 7,564	\$ 7,853
System-wide support	2,325	2,014	2,085	2,105	2,126
Ancillary	6	3	7	6	-
Total expenditures per pupil	\$ 10,683	\$ 9,809	\$ 10,156	\$ 9,675	\$ 9,979

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Instructional	\$ 3,191	\$ 3,399	\$ 3,848	\$ 3,931	\$ 3,778
System-wide support	1,093	1,165	859	874	917
Ancillary	6	7	24	6	4
Total expenditures per pupil	\$ 4,290	\$ 4,571	\$ 4,731	\$ 4,811	\$ 4,699

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2011	2012	2013	2014	2015
Instructional	\$ 3,700	\$ 3,396	\$ 3,453	\$ 3,174	\$ 3,291
System-wide support	1,030	878	893	883	891
Ancillary	3	1	3	3	-
Total expenditures per pupil	\$ 4,733	\$ 4,275	\$ 4,349	\$ 4,060	\$ 4,182

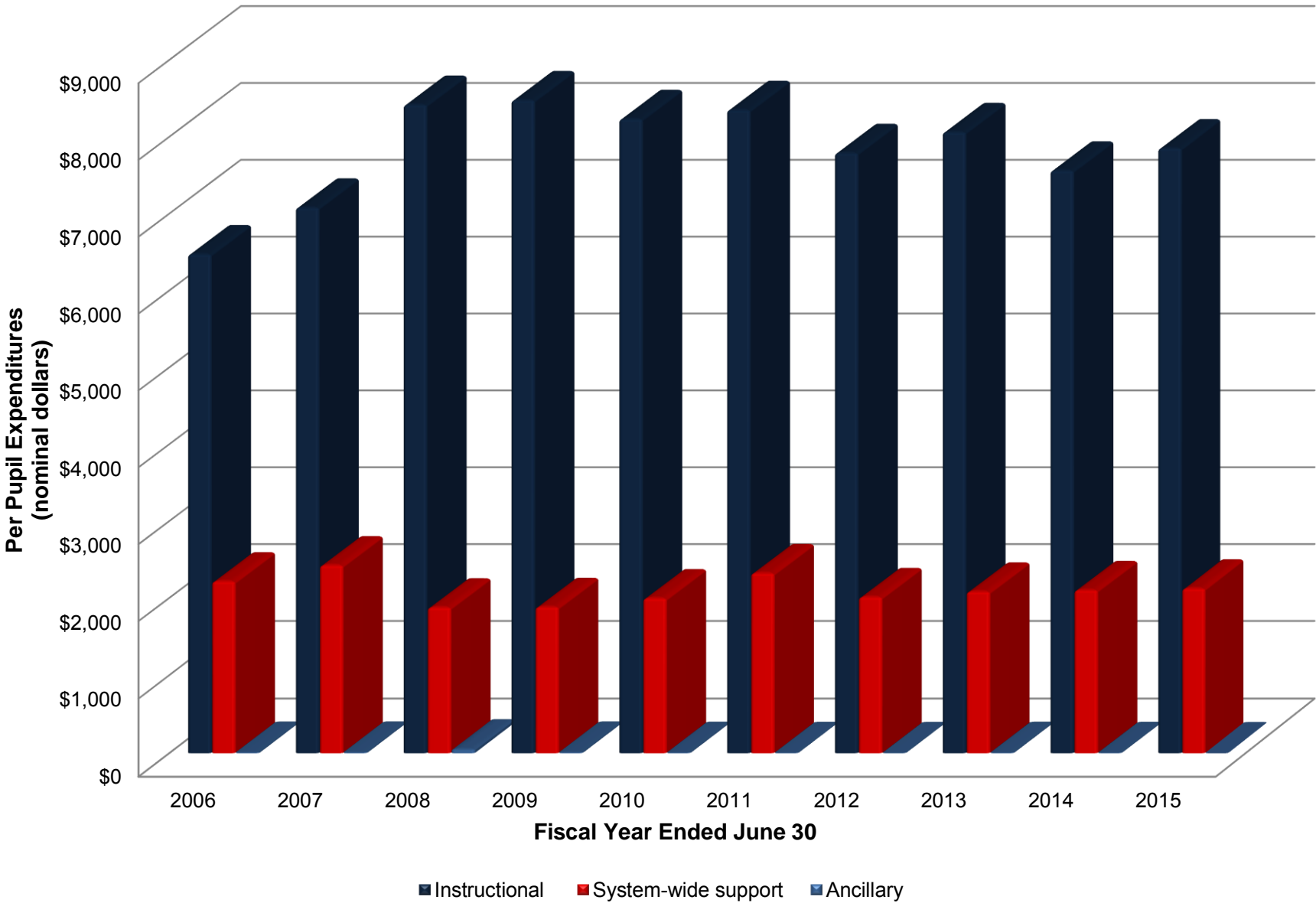
Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

Note: The above operational expenditures per pupil include all governmental funds.

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

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

Operational Expenditures Per Pupil
Expenditures by Function



SCOTLAND COUNTY BOARD OF EDUCATION

Proprietary Fund - Food Services Operations

Revenues by Source

Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Food sales	\$ 864,365	\$ 773,479	\$ 834,891	\$ 818,719	\$ 715,572
Federal reimbursements	2,420,827	2,566,320	2,555,097	2,643,152	2,743,061
Federal commodities	185,663	196,065	217,610	201,503	211,764
Other	-	-	-	-	12,180
Total revenues	\$ 3,470,855	\$ 3,535,864	\$ 3,607,598	\$ 3,663,374	\$ 3,682,577

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2011	2012	2013	2014	2015
Food sales	\$ 677,169	\$ 651,528	\$ 584,341	\$ 538,734	\$ 252,184
Federal reimbursements	2,768,697	2,878,843	3,019,938	2,756,452	3,369,955
Federal commodities	222,111	208,486	236,120	268,486	241,764
Other	11,816	16,322	7,963	8,585	5,613
Total revenues	\$ 3,679,793	\$ 3,755,179	\$ 3,848,362	\$ 3,572,257	\$ 3,869,516

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Food sales	\$ 426,005	\$ 371,237	\$ 381,551	\$ 379,576	\$ 328,297
Federal reimbursements	1,193,113	1,231,723	1,167,697	1,225,423	1,258,487
Federal commodities	91,505	94,103	99,449	93,421	97,155
Other	-	-	-	-	5,588
Total revenues	\$ 1,710,623	\$ 1,697,063	\$ 1,648,697	\$ 1,698,420	\$ 1,689,527

EXPRESSED IN CONSTANT DOLLARS

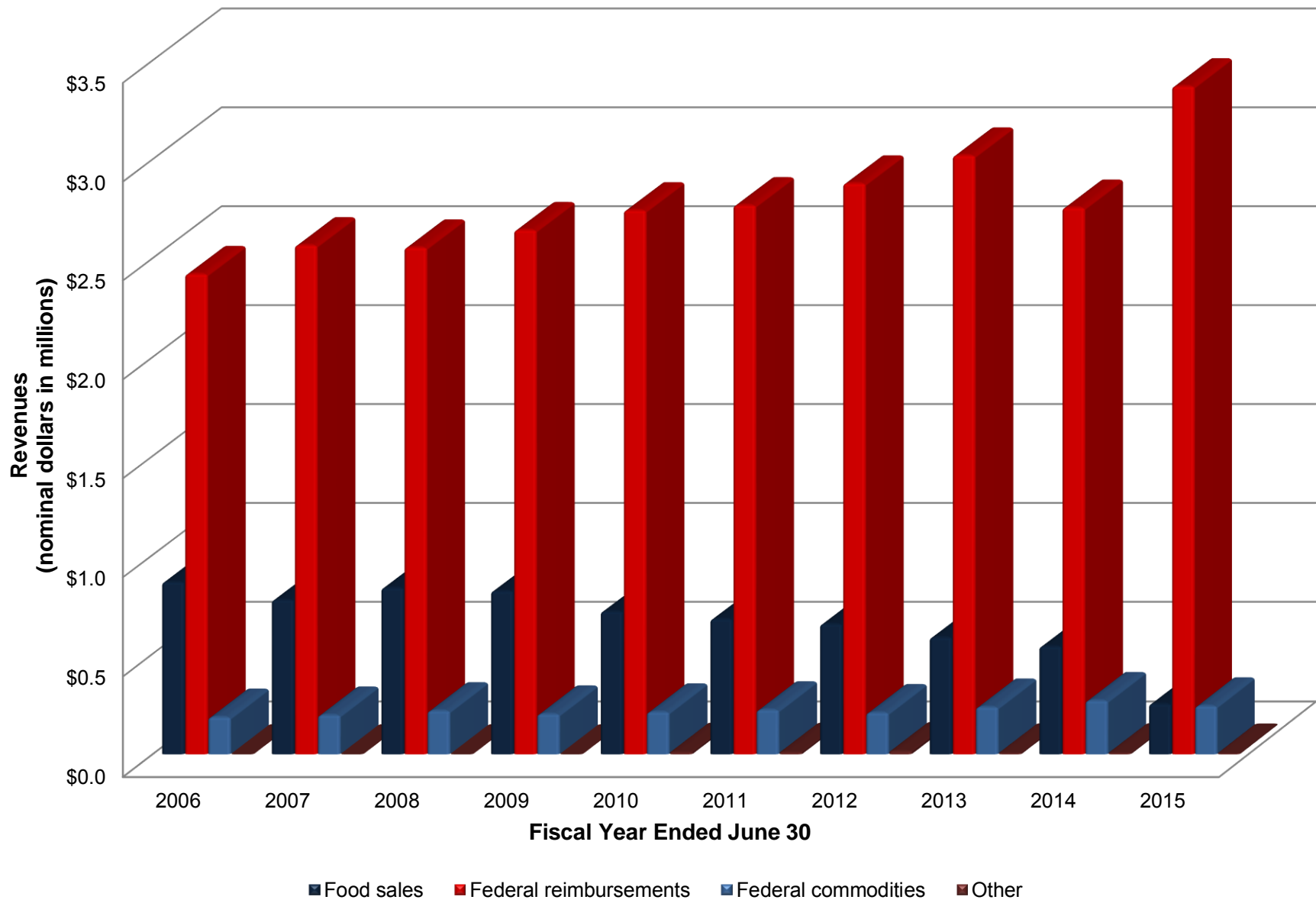
Year Ended June 30	2011	2012	2013	2014	2015
Food sales	\$ 300,001	\$ 283,917	\$ 250,249	\$ 226,033	\$ 105,676
Federal reimbursements	1,226,596	1,254,518	1,293,313	1,156,506	1,412,162
Federal commodities	98,400	90,852	101,120	112,647	101,310
Other	5,235	7,113	3,410	3,602	2,352
Total revenues	\$ 1,630,232	\$ 1,636,400	\$ 1,648,092	\$ 1,498,788	\$ 1,621,500

Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

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

Proprietary Fund - Food Services Operations Revenues by Source



SCOTLAND COUNTY BOARD OF EDUCATION

Proprietary Fund - Food Services Operations

Expenses by Category

Last Ten Fiscal Years

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Purchase of food	\$ 1,018,570	\$ 1,023,733	\$ 1,133,605	\$ 1,196,617	\$ 1,025,700
Donated commodities	185,663	196,065	217,610	201,503	211,764
Salaries and benefits	1,741,151	1,670,926	1,820,744	1,884,227	1,864,432
Other	50,331	31,139	16,097	18,437	536,760
Total expenses	\$ 2,995,715	\$ 2,921,863	\$ 3,188,056	\$ 3,300,784	\$ 3,638,656

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	2011	2012	2013	2014	2015
Purchase of food	\$ 1,040,334	\$ 1,139,778	\$ 1,207,803	\$ 1,024,728	\$ 1,163,000
Donated commodities	222,111	208,486	236,120	268,486	241,764
Salaries and benefits	1,896,213	1,904,179	1,881,882	1,742,067	1,855,103
Other	574,857	536,594	498,198	445,261	470,992
Total expenses	\$ 3,733,515	\$ 3,789,037	\$ 3,824,003	\$ 3,480,542	\$ 3,730,859

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	2006	2007	2008	2009	2010
Purchase of food	\$ 502,006	\$ 491,348	\$ 518,065	\$ 554,778	\$ 470,580
Donated commodities	91,505	94,103	99,449	93,421	97,155
Salaries and benefits	858,133	801,973	832,093	873,569	855,381
Other	24,806	14,945	7,356	8,548	246,260
Total expenses	\$ 1,476,450	\$ 1,402,369	\$ 1,456,963	\$ 1,530,316	\$ 1,669,376

EXPRESSED IN CONSTANT DOLLARS

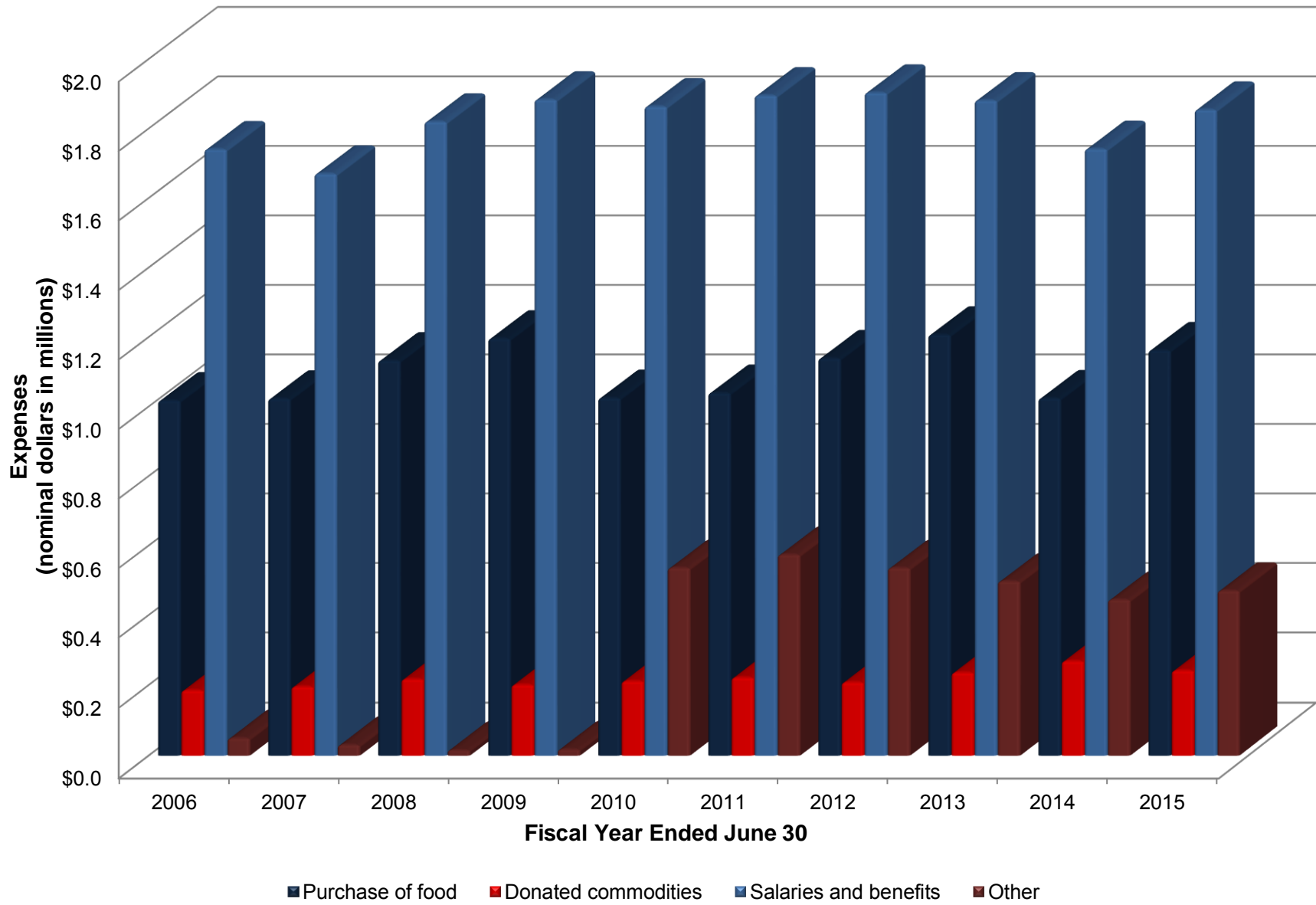
Year Ended June 30	2011	2012	2013	2014	2015
Purchase of food	\$ 460,892	\$ 496,683	\$ 517,252	\$ 429,938	\$ 487,349
Donated commodities	98,400	90,852	101,120	112,647	101,310
Salaries and benefits	840,066	829,787	805,931	730,908	777,371
Other	254,675	233,832	213,357	186,815	197,367
Total expenses	\$ 1,654,033	\$ 1,651,154	\$ 1,637,660	\$ 1,460,308	\$ 1,563,397

Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

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

Proprietary Fund - Food Services Operations Expenses by Category



SCOTLAND COUNTY BOARD OF EDUCATION

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Year Ended June 30	Installment Purchases	Total Primary Government	Percentage of Personal Income	Per Capita
2015	\$ -	\$ -	N/A	N/A
2014	185,986	185,986	N/A	\$ 5
2013	371,971	371,971	0.03%	10
2012	198,978	198,978	0.02%	6
2011	397,961	397,961	0.04%	11
2010	287,827	287,827	0.03%	8
2009	652,790	652,790	0.07%	18
2008	134,699	134,699	0.01%	4
2007	222,169	222,169	0.02%	6
2006	140,809	140,809	0.02%	4

N/A = Not available

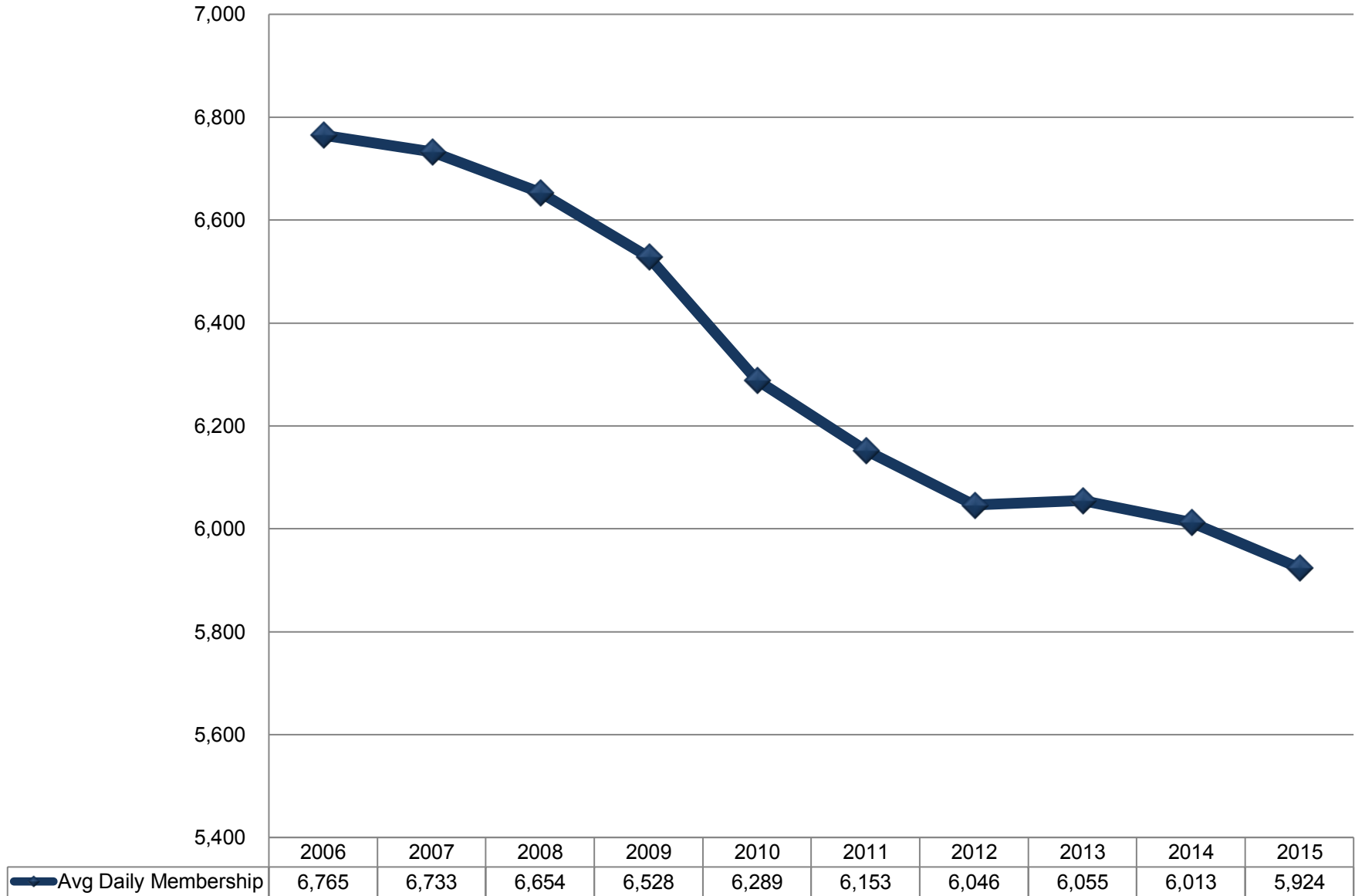
Source: Scotland County Board of Education, North Carolina, Annual Financial Reports.

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

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2015 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2016, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2014 and June 30, 2015 income based information will be shown above as "N/A", and the June 30, 2014 information will be reported for the year ended June 30, 2016, if applicable.

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



SCOTLAND COUNTY BOARD OF EDUCATION

Student Statistics Last Ten Fiscal Years

Year Ended June 30	Teaching Staff	Students	Teacher/ Pupil Ratio	Student Attendance Percentage⁽¹⁾	Percentage of Students Receiving Free/Reduced Lunch⁽²⁾
2015	421	5,924	1/14	N/A	100.00%
2014	438	6,013	1/14	96.42%	78.94%
2013	455	6,055	1/13	94.37%	79.00%
2012	442	6,046	1/14	94.81%	78.16%
2011	493	6,153	1/12	93.95%	75.74%
2010	511	6,289	1/12	94.15%	77.95%
2009	533	6,528	1/12	94.58%	72.37%
2008	530	6,654	1/13	95.13%	69.39%
2007	539	6,733	1/12	94.46%	70.83%
2006	549	6,765	1/12	94.71%	73.44%

SCOTLAND COUNTY BOARD OF EDUCATION

Student Statistics (continued)

Last Ten Fiscal Years

Year Ended June 30	Ethnic Distribution Percentage ⁽³⁾					Graduates ⁽³⁾	Percentage of Graduates Continuing Education ⁽³⁾
	White	Black	Asian	Hispanic	Other		
2015	31%	46%	1%	2%	20%	N/A	N/A
2014	31%	46%	1%	3%	19%	387	75%
2013	32%	46%	1%	2%	19%	378	71%
2012	32%	46%	1%	2%	19%	411	74%
2011	33%	46%	1%	2%	18%	341	77%
2010	35%	49%	1%	1%	14%	411	82%
2009	35%	49%	1%	1%	14%	398	80%
2008	35%	49%	1%	1%	14%	375	78%
2007	36%	48%	1%	1%	14%	368	77%
2006	37%	48%	1%	1%	13%	334	79%

N/A = Not Available

Sources:

(1) NC Department of Public Instruction Average Daily Attendance(ADA):Average Daily Membership(ADM) Ratio Reports

(2) NC Department of Public Instruction Free & Reduced Meals Application Data Reports. Information for 2015 obtained from Scotland County Board of Education Student Data.

(3) North Carolina Public Schools Statistical Profile (2006-2015 Editions).

Note: This table is a ten year schedule. However, the graduate and attendance data for the year ended June 30, 2015 could not be obtained from the North Carolina Department of Public Instruction prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

Note: Percentage of students receiving free/reduced lunch for 2014 and before are not comparable to 2015 (and after) due to the implementation of the Community Eligibility Program, which provides free lunch to all students.

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

Year Ended June 30	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Officials, admins, mgrs	13	13	18	15	13	18	18	19	17	15
Principals	17	19	20	21	21	19	14	14	17	14
Asst. Principals, non-teaching	14	13	14	11	14	14	12	13	16	18
Total administrators	44	45	52	47	48	51	44	46	50	47
Elementary teachers	398	386	373	375	359	347	316	328	319	306
Secondary teachers	147	145	156	156	148	133	115	123	114	110
Other teachers	4	8	1	2	4	13	11	4	5	5
Total teachers	549	539	530	533	511	493	442	455	438	421
Guidance	21	18	24	23	19	20	18	17	17	17
Psychological	3	4	2	4	4	6	5	5	5	5
Librarian, audiovisual	14	13	14	14	13	14	12	12	12	12
Consultant, supervisor	7	7	30	27	23	20	13	22	15	14
Other professionals	22	32	29	29	29	31	28	37	39	35
Total professionals	660	658	681	677	647	635	562	594	576	551
Teacher Assistants	204	219	230	216	191	188	139	151	97	108
Technicians	4	5	5	5	6	7	5	5	7	6
Clerical, secretarial	64	71	68	68	70	65	54	55	52	49
Service workers	139	67	146	144	136	120	89	87	77	76
Skilled crafts	17	10	3	6	7	6	6	8	9	9
Laborers, Unskilled	-	-	-	-	-	1	14	16	15	11
Total employees	1,088	1,030	1,133	1,116	1,057	1,022	869	916	833	810

Source: North Carolina Public Schools Statistical Profile (2006-2015 Editions)

SCOTLAND COUNTY BOARD OF EDUCATION

Instructional Personnel Last Ten Fiscal Years

Year Ended June 30	Teacher Salaries ⁽¹⁾			Bachelors Degree ⁽²⁾	Masters Degree ⁽²⁾	Advanced Degree ⁽²⁾	Doctorate Degree ⁽²⁾
	Minimum	Maximum	Average				
2015	\$ 33,000	\$ 67,100	\$ 45,692	262	183	2	1
2014	30,800	60,400	46,000	201	218	5	2
2013	30,800	70,200	40,026	248	184	3	1
2012	30,430	64,750	38,881	288	221	6	2
2011	30,430	64,750	47,590	323	194	1	2
2010	30,430	64,750	47,590	425	113	1	-
2009	30,430	64,750	47,590	411	127	-	-
2008	29,750	64,160	46,960	425	113	1	-
2007	28,510	61,380	43,950	415	187	6	3
2006	27,908	57,400	41,460	420	179	5	3

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

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

Sources:

- (1) Scotland County Board of Education Payroll Data.
- (2) North Carolina Public Schools Statistical Profile (2006-2014 Editions). Information for 2015 obtained from Scotland County Board of Education Personnel Data.

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

SCOTLAND COUNTY BOARD OF EDUCATION

**School Building Data
June 30, 2015**

Site	Year Built	Capacity	Current Membership	Over/(Under) Capacity	Condition
Covington Street Primary	1952	284	311	10%	Fair
I. Ellis Johnson Elementary	1952	602	345	-43%	Good
Laurel Hill Elementary	1999	635	496	-22%	Excellent
North Laurinburg Elementary	1958	357	267	-25%	Fair
Pate-Gardner Elementary	1957	239	178	-26%	Fair
Shaw Academy	1951	457	60	-87%	Fair
South Scotland Elementary	1960	353	412	17%	Good
Wagram Elementary	1983	430	429	0%	Excellent
Sycamore Elementary	1951	358	370	3%	Fair
Carver Middle	2000	737	432	-41%	Excellent
Spring Hill Middle	2000	737	407	-45%	Excellent
Sycamore Lane Middle	1983	731	476	-35%	Good
Scotland High	1967	2,266	1,533	-32%	Good
Scotland Early College High ⁽¹⁾	N/A	N/A	208	N/A	N/A

N/A = Not Applicable

Source: Scotland County Schools N. C. Public Schools Facility Needs Report; 2015.

Note:

(1) Early College is located at Richmond Community College

SCOTLAND COUNTY, NORTH CAROLINA
Demographic Statistics
Last Ten Fiscal Years

Year Ended June 30	2006	2007	2008	2009	2010
Population estimate (1)	36,366	36,427	36,480	36,292	36,157
Personal income (2)	\$909,453,000	\$927,081,000	\$981,339,000	\$999,642,000	\$1,029,708,000
Per capita income (2)	\$25,008	\$25,450	\$26,901	\$27,544	\$28,479
Median age (3)	36.34	36.59	36.56	36.77	36.81
School enrollment (4)	6,765	6,733	6,654	6,528	6,289
Unemployment rate (5)	9.5%	10.8%	10.6%	16.8%	16.4%
Year Ended June 30	2011	2012	2013	2014	2015
Population estimate (1)	35,861	36,094	36,025	35,576	N/A
Personal income (2)	\$1,017,152,000	\$1,068,098,000	\$1,085,797,000	N/A	N/A
Per capita income (2)	\$28,364	\$29,592	\$30,140	N/A	N/A
Median age (3)	37.81	38.05	38.30	38.56	38.78
School enrollment (4)	6,153	6,046	6,055	6,013	5,924
Unemployment rate (5)	17.1%	17.6%	16.2%	12.1%	11.7%

N/A = Not Available

Sources:

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

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2015 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2016, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2014 and June 30, 2015 income based information will be shown above as "N/A", and the June 30, 2014 information will be reported for the year ended June 30, 2016, if applicable.

SCOTLAND COUNTY, NORTH CAROLINA

Principal Employers

For Years Ended June 30, 2015 and 2006

Employer	2015			2006		
	Employees ⁽¹⁾	Rank	Approximate Percentage of Total County Employment	Employees ⁽¹⁾	Rank	Approximate Percentage of Total County Employment
Scotland County Schools	1,000+	1	10%+	1,000+	1	7%+
Scotland Memorial Hospital	500 - 999	2	7%	500 - 999	3	6%
Dept. Of Public Safety	500 - 999	3	7%	-	-	-
FCC North Carolina LLC	250 - 499	4	4%	-	-	-
County of Scotland	250 - 499	5	4%	250 - 499	8	3%
Pilkington North America	250 - 499	6	4%	250 - 499	9	3%
Wal-Mart Associates, Inc.	250 - 499	7	4%	250 - 499	5	3%
Maverick Transportation, LLC	100 - 249	8	2%	-	-	-
Associate Staffing LLC	100 - 249	9	2%	-	-	-
Farmers Furniture	100 - 249	10	2%	-	-	-
Westpoint Home Inc.	-	-	-	1,000+	2	7%+
State of North Carolina	-	-	-	250 - 499	4	3%
The Mega Force Staffing Group	-	-	-	250 - 499	6	3%
Crestline Homes, Inc.	-	-	-	250 - 499	7	3%
Butler Mfg Co (A Corp)	-	-	-	100 - 249	10	1%
			<u>46%+</u>			<u>39%+</u>
Total County Employment ⁽²⁾	<u>10,525</u>			<u>13,425</u>		

Sources:

(1) North Carolina Chamber of Commerce - current year data is as of March 31st

(2) North Carolina Employment Security Commission

SCOTLAND COUNTY, NORTH CAROLINA

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Year Ended June 30	Governmental Activities		Business -Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Installment Purchases	General Obligation Bonds	Installment Purchases	General Obligation Bonds			
2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2014	\$ 3,261,713	\$ 5,602,000	\$ 134,361	\$ 6,242,500	\$ 15,240,574	N/A	\$ 428
2013	2,591,497	6,633,000	-	6,366,500	15,590,997	1.44%	433
2012	2,957,272	7,678,000	82,278	6,484,500	17,202,050	1.61%	477
2011	3,879,930	8,735,000	162,257	6,598,000	19,375,187	1.90%	540
2010	1,481,199	9,805,000	240,000	6,706,000	18,232,199	1.77%	504
2009	1,923,043	10,608,000	-	6,810,500	19,341,543	1.93%	533
2008	2,347,767	11,510,000	-	6,909,500	20,767,267	2.12%	569
2007	2,322,561	12,490,000	-	7,004,500	21,817,061	2.35%	599
2006	2,368,049	13,470,000	-	7,095,000	22,933,049	2.52%	631

N/A = Not Available

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

Note: This table is a ten year schedule. However, the annual financial report for the year ended June 30, 2015 could not be obtained from Scotland County nor their auditors prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

Note: This table is a ten year schedule. However, current year county level annual population estimates are not released by the U.S. Census Bureau until the spring of the following year. Therefore, June 30, 2015 population based information will be shown above as "N/A", and the information will be reported for the year ended June 30, 2016, if applicable.

Note: This table is a ten year schedule. However, county level annual income data is not released by the U.S. Bureau of Economic Analysis until the month of April, and is always two years behind. Therefore, June 30, 2014 and June 30, 2015 income based information will be shown above as "N/A", and the June 30, 2014 information will be reported for the year ended June 30, 2016, if applicable.

SCOTLAND COUNTY, NORTH CAROLINA
Principal Property Taxpayers
December 31, 2013 and December 31, 2005

Taxpayer	Type of Business	2013		2005	
		Taxable Assessed Value	Rank	Taxable Assessed Value	Rank
Pilkington North America	Manufacturing	\$ 100,091,803	1	\$ 90,863,217	1
Duke Energy	Utilities	50,338,219	2	19,687,434	4
FCC North Carolina, Inc.	Manufacturing	46,398,746	3	22,183,322	3
CSX Transportation	Railroad	32,138,095	4	-	-
Kordsa, Inc.	Manufacturing	26,269,665	5	-	-
Lumbee River EMC	Utilities	24,905,160	6	-	-
Carroll's Realty	Real Estate	24,568,556	7	14,973,450	8
Bellsouth	Utilities	22,191,825	8	15,826,750	7
Meritor Heavy Vehicle	Manufacturing	16,874,626	9	19,296,637	5
WP Properties	Real Estate	16,475,530	10	43,607,087	2
QualPack, LLC	Pharmaceutical	-	-	17,058,952	6
Embrex Poultry Health LLC	Biotech	-	-	14,573,745	9
Champion Products	Textiles/Clothing	-	-	12,251,812	10
		<u>\$ 360,252,225</u>		<u>\$ 270,322,406</u>	
Total Assessed Valuation		<u>\$ 2,137,590,003</u>		<u>\$ 1,834,429,819</u>	

Source: Scotland County, North Carolina, Annual Financial Report for the years ended June 30, 2006 and June 30, 2014.

Note: This table is a nine year schedule. However, the annual financial report for the year ended June 30, 2015 could not be obtained from Scotland County nor their auditors prior to this report being issued. Therefore, there are only eight years of comparative data noted above.

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

EXPRESSED IN NOMINAL DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections	Percent of Levy Collected
2015	N/A	N/A	N/A
2014	\$ 22,017,177	\$ 20,589,498	93.52%
2013	21,018,629	19,364,830	92.13%
2012	20,097,575	18,484,374	91.97%
2011	20,201,575	18,739,768	92.76%
2010	19,457,817	17,922,769	92.11%
2009	19,705,329	18,321,682	92.98%
2008	20,251,067	18,989,061	93.77%
2007	20,740,546	19,498,629	94.01%
2006	20,218,022	19,075,983	94.35%

EXPRESSED IN CONSTANT DOLLARS

Year Ended June 30	Total Tax Levy	Current Tax Collections
2015	N/A	N/A
2014	\$ 9,237,602	\$ 8,638,600
2013	9,001,400	8,293,147
2012	8,757,953	8,054,966
2011	8,949,759	8,302,145
2010	8,927,037	8,222,774
2009	9,135,822	8,494,333
2008	9,254,881	8,678,135
2007	9,954,570	9,358,503
2006	9,964,525	9,401,667

N/A = Not Available

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

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

Note: This table is a ten year schedule. However, the annual financial report for the year ended June 30, 2015 could not be obtained from Scotland County nor their auditors prior to this report being issued. Therefore, there are only nine years of comparative data noted above.

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