

Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2013

SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Guy McCook, Chairman

Carol H. McCall, Vice Chairperson

John T. Alford, Commissioner

John C. Cooley, Commissioner

Robert C. Davis, Commissioner

Whit Gibson, Commissioner

Clarence McPhatter, II, Commissioner

COUNTY OFFICIALS

Ann W. Kurtzman, Clerk to Board

Kevin G. Patterson, County Manager

Edward H. Johnston, Jr., County Attorney

Debra Holcomb, Register of Deeds

Mary Helen Norton, Tax Administrator

Scotland County, North Carolina
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June 30, 2013

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FINANCIAL SECTION

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WM. TED CURRIE, CPA
CARL L. HEAD, CPA

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Scotland County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Scotland County ABC Board which represents 33.85 percent, 25.07 percent, and 77.52 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component unit. We did not audit the financial statements of the Scotland County Tourism Development Authority which represents 8.03 percent, 3.99 percent, and 20.31 percent, respectively, of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Scotland County ABC Board and the Scotland County Tourism Development Authority is based solely on the report of the other auditors. 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 *Governmental Auditing Standards*, issued by the Comptroller 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. The financial statements of the Scotland County ABC Board and the Scotland County Tourism Development Authority were not audited in accordance with *Governmental Auditing Standards*.

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, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance 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 and the Other Post Employment Benefit and Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages 4 through 12 and 55 through 56 and 57 through 58 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 the 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's basic financial statements. The introductory information, combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and statistical section as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office and Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates 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 or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2014 on our consideration of Scotland County'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's internal control over financial reporting and compliance.

Gustaf C. Lundin & Company, LLP
GUSTAF C. LUNDIN & COMPANY, LLP
Laurinburg, North Carolina
January 6, 2014

Management's Discussion and Analysis

As management of Scotland County, we offer readers of Scotland County's financial statements this narrative overview and analysis of the financial activities of Scotland County for the fiscal year ended June 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

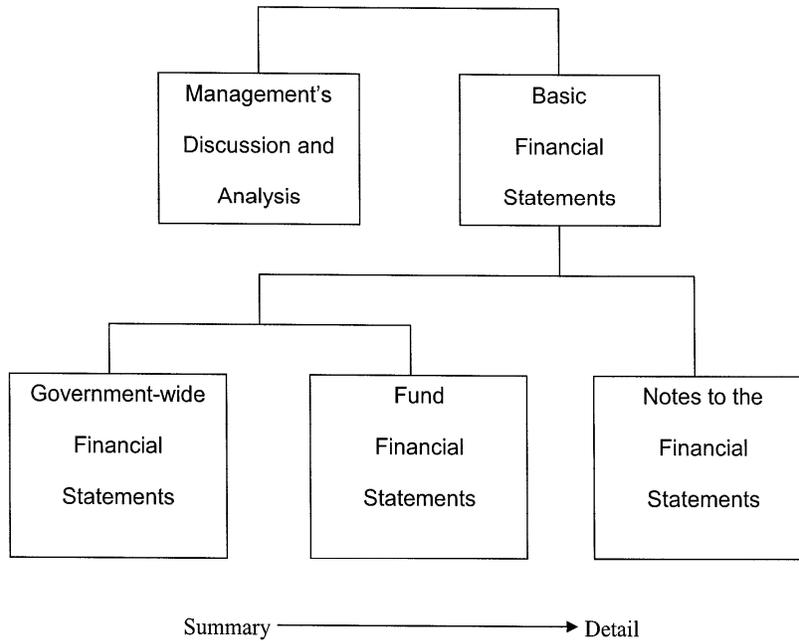
- The assets and deferred outflows of resources of Scotland County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,958,408 (*net position, exhibit 1*).
- The government's total net position decreased by \$1,625,725 primarily due to transfer of capital assets to the local board of education.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$8,055,605 (*exhibit 3*) an increase of \$791,942 in comparison with the prior year. Approximately 63.18 percent of this total amount, or \$5,089,889 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,089,889 or 13.92 percent of total General Fund expenditures for the fiscal year.
- Scotland County has an A1 bond rating.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Scotland County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Scotland County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in

one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and landfill services offered by Scotland County. The final category is the component units. Scotland County Water Districts I and II (the *Districts*) exist to provide and maintain a water system for the county residents within the district. The Districts are reported as an enterprise fund in the County's financial statements. Scotland County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. Scotland County Historic Properties Commission, which has a June 30 year-end, and Scotland County ABC Board (the Board), which has a June 30 year-end, and the Scotland County Tourism Development Authority (the Authority), which has a June 30 year-end, are presented as if they are separate proprietary funds of the County (discrete presentation).

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Scotland County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Scotland County can be divided into three categories: governmental funds, proprietary funds, and agency funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County’s programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Scotland County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – Scotland County has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Scotland County uses enterprise funds to account for its water and sewer activity and for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Scotland County has eight agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 25 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Scotland County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 55 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$6,958,408 as of June 30, 2013. The County's net position decreased by \$(1,625,725) for the fiscal year ended June 30, 2013. One of the largest portions \$10,159,795 reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Scotland County uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Scotland County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Scotland County's net position \$2,895,398 (41.61%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(6,096,785) is unrestricted.

Scotland County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 13,473,602	\$ 12,634,804	\$ 713,247	\$ 704,586	\$ 14,186,849	\$ 13,339,390
Capital assets	7,746,476	10,493,743	8,971,316	9,337,864	16,717,792	19,831,607
Total assets	\$ 21,220,078	\$ 23,128,547	\$ 9,684,563	\$ 10,042,450	\$ 30,904,641	\$ 33,170,997
Long-term liabilities outstanding	\$ 14,637,840	\$ 15,192,796	\$ 8,223,433	\$ 8,350,401	\$ 22,861,273	\$ 23,543,197
Other liabilities	923,797	734,890	77,371	75,322	1,001,168	810,212
Total liabilities	\$ 15,561,637	\$ 15,927,686	\$ 8,300,804	\$ 8,425,723	\$ 23,862,441	\$ 24,353,409
Total deferred inflows of resources	77,882	227,543	5,910	5,910	83,792	233,453
Net position:						
Net investment in capital assets	\$ 7,554,979	\$ 7,536,471	\$ 2,604,816	\$ 2,771,087	\$ 10,159,795	\$ 10,307,558
Restricted	2,895,398	3,539,189	-	-	2,895,398	3,539,189
Unrestricted	(4,869,818)	(4,102,342)	(1,226,967)	(1,160,270)	(6,096,785)	(5,262,612)
Total net position	\$ 5,580,559	\$ 6,973,318	\$ 1,377,849	\$ 1,610,817	\$ 6,958,408	\$ 8,584,135

Several particular aspects of the County's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by keeping our collection percentage around 92.13% and striving to improve collectibility.
- Continued utilization of management's successful cost containment strategies, which have resulted in improved cash reserves.
- Continued low cost of debt due to aggressive structuring of debt issuances and refinancing and the County's high bond rating.

SCOTLAND COUNTY'S CHANGES IN NET POSITION

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,599,701	\$ 2,878,484	\$ 2,570,698	\$ 2,671,074	\$ 5,170,399	\$ 5,549,558
Operating grants and contributions	7,581,961	8,223,729	-	-	7,581,961	8,223,729
Capital grants	254,350	-	-	-	254,350	-
General revenues:						
Property taxes	21,405,764	20,484,259	-	-	21,405,764	20,484,259
Local option sales tax	5,463,303	5,461,231	-	-	5,463,303	5,461,231
Other taxes	463,696	300,256	-	-	463,696	300,256
Interest investment earnings	16,951	22,094	-	-	16,951	22,094
Other	258,988	437,894	-	-	258,988	437,894
Total revenues	\$ 38,044,714	\$ 37,807,947	\$ 2,570,698	\$ 2,671,074	\$ 40,615,412	\$ 40,479,021
Expenses:						
General government	2,294,454	2,082,881	-	-	2,294,454	2,082,881
Public safety	7,325,487	7,618,262	-	-	7,325,487	7,618,262
Economic and physical development	1,108,588	788,889	-	-	1,108,588	788,889
Central services	1,422,152	1,400,302	-	-	1,422,152	1,400,302
Human services	11,071,679	11,996,434	-	-	11,071,679	11,996,434
Cultural and recreation	4,060,555	930,595	-	-	4,060,555	930,595
Other expenditures	228,274	231,766	-	-	228,274	231,766
Education	11,403,293	11,124,916	-	-	11,403,293	11,124,916
Revaluation	248,303	12	-	-	248,303	12
Interest on long-term debt	274,688	294,478	-	-	274,688	294,478
Solid waste	-	-	1,558,199	1,671,916	1,558,199	1,671,916
Water district I	-	-	630,449	611,787	630,449	611,787
Water district II	-	-	615,016	579,157	615,016	579,157
Total expenses	\$ 39,437,473	\$ 36,468,535	\$ 2,803,664	\$ 2,862,860	\$ 42,241,137	\$ 39,331,395
Increase (decrease) in net position before transfers	(1,392,759)	1,339,412	(232,966)	(191,786)	(1,625,725)	1,147,626
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(1,392,759)	1,339,412	(232,966)	(191,786)	(1,625,725)	1,147,626
Net position July 1	6,973,318	5,633,906	1,610,817	1,802,603	8,584,135	7,436,509
Net position, June 30	\$ 5,580,559	\$ 6,973,318	\$ 1,377,851	\$ 1,610,817	\$ 6,958,410	\$ 8,584,135

Governmental activities. Governmental activities decreased the County's net position by \$(1,392,759). The decrease was due to transfer of completed project assets to the local board of education in the amount of \$2,974,297.

Business-type activities: Business-type activities decreased Scotland County's net position by \$(232,966). The Proprietary Funds had a decrease in net position primarily due to depreciation in the Water District I, Water District II and the landfill. Other post employment benefit accruals also added to the decrease.

Financial Analysis of the County's Funds

As noted earlier, Scotland County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Scotland County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Scotland County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Scotland County. At the end of the current fiscal year Scotland County's fund balance available in the General Fund was \$5,089,889, while total fund balance reached \$6,770,596. The governing body of Scotland County has determined that the County should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 13.94% of general fund expenditures, while total fund balance represents 18.53% of that same amount.

At June 30, 2013, the governmental funds of Scotland County reported a combined fund balance of \$8,055,605 a 10.90 percent increase over last year. The primary reason for the increase is less expenditures on capital projects and an overall strategy to reduce expenses.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted revenues by \$832,100.

Proprietary Funds. Scotland County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Public Works-Solid Waste Fund at the end of the fiscal year amounted to \$(2,156,373) and those for the Water District I Fund equaled \$961,379, and those for the Water District II Fund equaled \$(31,973). The total change in net position for these funds was \$(168,232), \$2,300 and \$(67,034), respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of Scotland County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Scotland County's capital assets for its governmental and business-type activities as of June 30, 2013 totals \$16,717,792 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of new vehicles for the Public Safety Dept. and general areas of the General Fund.
- Construction in progress for the 911 Building Capital Project.
- A transfer of completed school building project assets to the local board of education reduced the net position of the General Fund.

SCOTLAND COUNTY'S CAPITAL ASSETS
(net of depreciation)
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 1,352,082	\$ 1,352,082	\$ 314,334	\$ 314,334	\$ 1,666,416	\$ 1,666,416
Buildings and system	4,989,171	5,034,041	8,416,603	8,721,339	13,405,774	13,755,380
Machinery and equipment	367,963	344,918	217,954	256,004	585,917	600,922
Vehicles and motorized equipment	888,670	788,405	22,427	46,187	911,097	834,592
Construction in progress	148,590	2,974,297	-	-	148,590	2,974,297
Total	<u>\$ 7,746,476</u>	<u>\$ 10,493,743</u>	<u>\$ 8,971,318</u>	<u>\$ 9,337,864</u>	<u>\$ 16,717,794</u>	<u>\$ 19,831,607</u>

Additional information on the County's capital assets can be found in Note III.A.5. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2013 Scotland County had total bonded debt outstanding of \$12,999,500 all of which is debt backed by the full faith and credit of the County.

Scotland County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 6,633,000	\$ 7,678,000	\$ 6,366,500	\$ 6,484,500	\$12,999,500	\$14,162,500
Installment purchases	2,591,497	2,957,272	-	82,278	2,591,497	3,039,550
Total	<u>\$ 9,224,497</u>	<u>\$10,635,272</u>	<u>\$ 6,366,500</u>	<u>\$ 6,566,778</u>	<u>\$15,590,997</u>	<u>\$17,202,050</u>

Scotland County's total debt decreased by \$2,111,053 during the past fiscal year, due to payments on debt.

Currently, Scotland County has an A1 bond rating from Moody's Investor Service and an A rating from Standard and Poor's Corporation.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Scotland County is \$147,657,188.

Additional information regarding Scotland County's long-term debt can be found in Note 7a. beginning on page 49 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The County's unemployment rate of 16.1% is higher than the state average of 9.1% as of July 2013.
- The County has begun construction on a new 911 center that will house all 911 personnel and equipment for the County and the City of Laurinburg in one central location.
- The County has entered into a guaranteed energy savings contract that will guarantee energy savings over a 17 year period.
- In 2013, the County announced a plant expansion for FCC of NC. This expansion is expected to add \$100 million of investment and 90 jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2014

Governmental Activities: Property taxes are expected to remain at \$1.03 per \$100 valuation. The County expects a 1.9% increase in sales tax revenues. The County will use these increases in revenues to finance programs currently in place.

Budgeted expenditures in the General Fund are expected to rise approximately 1.5% to \$37,408,486. The largest increments are in employee compensation, including funding compensation and benefits adjustments.

Business-type Activities: The water and landfill rates in the County are expected to remain the same as FY2013.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Beth Hobbs, Deputy Finance Director, Scotland County, PO Box 489, Laurinburg, NC 28353. You can also call 910-277-2406, visit our website at www.scotlandcounty.org or send an email to bhobbs@scotlandcounty.org for more information.

BASIC FINANCIAL STATEMENTS

Scotland County, North Carolina
Statement of Net Position
June 30, 2013

	Primary Government		Scotland County ABC Board	Scotland Co. Historic Properties Commission	Scotland Co. Tourism Development Authority
	Governmental Activities	Business- type Activities			
ASSETS					
Cash and cash equivalents	6,154,603	841,543	146,149	41,925	94,472
Inventory	-	-	188,067	-	-
Receivables (net):					
Taxes	4,416,317	-	-	-	-
Accounts	244,877	213,012	-	-	-
Due from other governments	1,094,522	-	-	-	-
Due (to) from other funds	341,308	(341,308)	-	-	-
Prepaid expenses	1,247	-	1,632	-	-
Restricted cash	1,220,728	-	-	31,091	-
Capital assets:					
Land, improvements and construction in progress	1,500,672	314,334	-	218,611	-
Other capital assets, net of depreciation	6,245,804	8,656,982	62,231	391,904	-
Total capital assets	7,746,476	8,971,316	62,231	610,515	-
Total assets	21,220,078	9,684,563	398,079	683,531	94,472
LIABILITIES					
Accounts payable and accrued liabilities	923,797	77,371	156,415	-	-
Long-term liabilities:					
Due within one year	1,522,497	124,000	-	-	56,010
Due in more than one year	13,115,343	8,099,433	-	-	-
Total long-term liabilities	14,637,840	8,223,433	-	-	56,010
Total liabilities	15,561,637	8,300,804	156,415	-	56,010
DEFERRED INFLOWS OF RESOURCES					
Prepaid taxes	77,882	-	-	-	-
Credit balances in customer accounts	-	5,910	-	-	-
NET POSITION					
Net investment in capital assets	7,554,979	2,604,816	62,231	610,515	-
Restricted for:					
Fire protection	715,034	-	-	-	-
Emergency telephone	492,086	-	-	-	-
Cultural and recreation	7,571	-	-	31,091	-
Stabilization by State statute	1,680,707	-	49,596	-	-
Working capital	-	-	129,837	-	-
Unrestricted	(4,869,818)	(1,226,967)	241,664	41,925	38,462
Total net position	5,580,559	1,377,849	6,958,408	683,531	38,462

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

Scotland County, North Carolina
Statement of Activities
 For the Year Ended June 30, 2013

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position									
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Primary Government			Scotland County Tourism Development Authority				
					Governmental Activities	Business-type Activities	Total					
Primary government:												
Governmental activities:												
General government	2,294,454	368,159	-	-	(1,926,295)	-	(1,926,295)	-	-	-	-	-
Public safety	7,325,487	1,556,997	-	-	(5,768,490)	-	(5,768,490)	-	-	-	-	-
Economic and physical development	1,108,588	-	-	254,350	(854,238)	-	(854,238)	-	-	-	-	-
Central service	1,422,152	-	-	-	(1,422,152)	-	(1,422,152)	-	-	-	-	-
Human services	11,071,679	49,706	7,581,961	-	(3,440,012)	-	(3,440,012)	-	-	-	-	-
Cultural and recreational	4,060,555	148,614	-	-	(3,911,941)	-	(3,911,941)	-	-	-	-	-
Other expenditures	228,274	-	-	-	(228,274)	-	(228,274)	-	-	-	-	-
Intergovernmental:												
Education	11,403,293	476,225	-	-	(10,927,068)	-	(10,927,068)	-	-	-	-	-
Education	248,303	-	-	-	(248,303)	-	(248,303)	-	-	-	-	-
Interest on long-term debt	274,688	-	-	-	(274,688)	-	(274,688)	-	-	-	-	-
Total governmental activities	39,437,473	2,599,701	7,581,961	254,350	(29,001,461)	-	(29,001,461)	-	-	-	-	-
Business-type activities:												
Public Works	1,538,199	1,389,967	-	-	(168,232)	-	(168,232)	-	-	-	-	-
Water District Phase I	630,449	632,749	-	-	2,300	-	2,300	-	-	-	-	-
Water District Phase II	615,016	547,982	-	-	(67,034)	-	(67,034)	-	-	-	-	-
	2,803,664	2,570,698	-	-	(232,966)	-	(232,966)	-	-	-	-	-
Component units:												
ABC Board	1,289,501	1,290,024	-	-	-	(523)	-	(523)	-	-	-	-
Historic Properties	52,083	-	18,000	9,923	-	-	-	-	-	(24,160)	-	-
Scotland County Tourism Development	-	-	-	-	-	-	-	-	-	-	-	367,269
Total component units	1,341,584	1,290,024	18,000	9,923	-	-	(523)	(523)	-	(24,160)	-	367,269

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

Scotland County, North Carolina
Statement of Activities
 For the Year Ended June 30, 2013

	Net (Expense) Revenue and Changes in Net Position					
	Primary Government					
	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission	Scotland County Tourism Development Authority
General revenues:						
Taxes:						
Property taxes, levied for general purpose	21,405,764	-	21,405,764	-	-	-
Local option sales tax	5,463,303	-	5,463,303	-	-	-
Other taxes and licenses	463,696	-	463,696	-	-	338,089
Investment earnings, unrestricted	16,951	-	16,951	88	-	-
Miscellaneous, unrestricted	258,988	-	258,988	435	8,250	-
Total general revenues, special items, and transfers	27,608,702	-	27,608,702	523	8,250	338,089
Change in net position	(1,392,759)	(232,966)	(1,625,725)	-	(15,910)	(29,180)
Net position-beginning	6,973,318	1,610,817	8,584,135	241,664	699,441	67,642
Net position-ending	5,580,559	1,377,851	6,958,410	241,664	683,531	38,462

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

Scotland County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	6,088,242	66,361	6,154,603
Restricted cash	-	1,220,728	1,220,728
Receivables (net)			
Taxes	4,416,317	-	4,416,317
Accounts	244,876	-	244,876
Prepaid expense	-	1,247	1,247
Due from other governments	1,094,522	-	1,094,522
Due from other funds	341,309	-	341,309
Total assets	<u>12,185,266</u>	<u>1,288,336</u>	<u>13,473,602</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	<u>920,471</u>	<u>3,327</u>	<u>923,798</u>
Total liabilities	<u>920,471</u>	<u>3,327</u>	<u>923,798</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	4,416,317	-	4,416,317
Prepaid taxes	<u>77,882</u>	<u>-</u>	<u>77,882</u>
Total deferred inflows of resources	<u>4,494,199</u>	<u>-</u>	<u>4,494,199</u>
FUND BALANCES:			
Nonspendable:			
Prepaid expenses	-	1,247	1,247
Restricted:			
Stabilization by State statute	1,680,707	-	1,680,707
Fire protection	-	715,034	715,034
School capital project			
Emergency telephone	-	492,086	492,086
Rehabilitation	-	6,037	6,037
Library services	-	7,571	7,571
Committed:			
Tax revaluation	-	63,034	63,034
Unassigned:			
Total fund balances	<u>5,089,889</u>	<u>-</u>	<u>5,089,889</u>
Total liabilities, deferred inflows of resources and fund balances	<u>6,770,596</u>	<u>1,285,009</u>	<u>8,055,605</u>
	<u>12,185,266</u>	<u>1,288,336</u>	

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

Total fund balance, governmental funds	8,055,605
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,746,476
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	
Deferred inflows of resources for taxes and special assessments receivable	4,416,317
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(14,637,839)</u>
Net position of governmental activities	<u>5,580,559</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Other Governmental Funds	Total
Revenues:			
Ad valorem taxes	21,158,472	236,680	21,395,152
Local option sales taxes	5,403,856	59,447	5,463,303
Other taxes and licenses	118,053	177,371	295,424
Unrestricted intergovernmental	168,272	-	168,272
Restricted intergovernmental	8,121,684	-	8,121,684
Permits and fees	368,159	-	368,159
Sales and services	1,414,928	-	1,414,928
Investment earnings	11,582	5,369	16,951
Fines, forfeitures	269,724	-	269,724
Grants	-	254,340	254,340
Miscellaneous	266,164	-	266,164
Total revenues	<u>37,300,894</u>	<u>733,207</u>	<u>38,034,101</u>
Expenditures:			
General government	1,937,862	-	1,937,862
Public safety	6,773,762	475,447	7,249,209
Economic & physical development	955,070	-	955,070
Central service	1,549,054	-	1,549,054
Human services	10,881,297	-	10,881,297
Cultural and recreational	915,121	1,000	916,121
Other expenditures	228,274	-	228,274
Education	11,403,293	-	11,403,293
Rehabilitation	-	248,303	248,303
Capital outlay	-	188,214	188,214
Debt service:			
Principal retirement	1,634,580	-	1,634,580
Interest	274,688	-	274,688
Total expenditures	<u>36,553,001</u>	<u>912,964</u>	<u>37,465,965</u>
Excess of revenues over (under) expenditures	747,893	(179,757)	568,136
Other financing sources (uses):			
Transfers (to) other funds	(180,000)	(59,418)	(239,418)
Transfers from other funds	40,829	198,590	239,418
Total other financing sources (uses)	<u>(139,171)</u>	<u>139,172</u>	<u>-</u>
Proceeds from installment financing	223,805	-	223,805
Total other financing sources	<u>84,634</u>	<u>139,172</u>	<u>223,806</u>
Net change in fund balance	832,527	(40,585)	791,942
Fund balances-beginning	5,938,069	1,325,594	7,263,663
Fund balances-ending	<u>6,770,596</u>	<u>1,285,009</u>	<u>8,055,605</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

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

Net changes in fund balances - total governmental funds	791,942
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	227,028
Transfer of completed project to local Board of Education	(2,974,297)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	10,612
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on the net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,410,775
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(858,819)</u>
Total changes in net position of governmental activities	<u><u>(1,392,759)</u></u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	20,582,764	20,583,064	21,158,472	575,408
Local option sales taxes	5,159,225	5,159,225	5,403,856	244,631
Other taxes and licenses	80,000	80,000	118,053	38,053
Unrestricted intergovernmental	50,000	50,000	168,272	118,272
Restricted intergovernmental	8,303,811	9,073,712	8,121,684	(952,028)
Permits and fees	291,390	291,190	368,159	76,969
Sales and services	1,474,789	1,487,289	1,414,928	(72,361)
Investment earnings	10,850	10,850	11,582	732
Fines, forfeitures	278,000	278,000	269,724	(8,276)
Miscellaneous	336,406	386,005	266,164	(119,841)
Total revenues	<u>36,567,235</u>	<u>37,399,335</u>	<u>37,300,894</u>	<u>(98,441)</u>
Expenditures:				
General government	2,084,845	2,088,953	1,937,862	151,091
Public safety	6,920,354	7,039,653	6,773,762	265,891
Economic and physical development	679,108	1,038,325	955,070	83,255
Central services	1,653,106	1,695,423	1,549,054	146,369
Human services	11,032,621	11,655,460	10,881,297	774,163
Cultural and recreational	1,003,939	1,019,274	915,121	104,153
Other expenditures	218,000	238,000	228,274	9,726
Intergovernmental:				
Education	11,347,337	11,408,563	11,403,293	5,270
Debt service:				
Principal retirement	1,546,263	1,634,580	1,634,580	-
Interest	<u>245,001</u>	<u>275,484</u>	<u>274,688</u>	<u>796</u>
Total expenditures	<u>36,730,574</u>	<u>38,093,715</u>	<u>36,553,001</u>	<u>1,540,714</u>
Excess of revenues over (under) expenditures	(163,339)	(694,380)	747,893	1,442,273
Other financing sources (uses):				
Transfers (to) other funds	(180,000)	(180,000)	(180,000)	-
Transfers from other funds	-	-	40,829	40,829
Total other financing sources (uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(139,171)</u>	<u>40,829</u>
Proceeds from installment financing	279,000	295,000	223,805	(71,195)
Total other financing sources	99,000	115,000	84,634	(30,366)
Appropriated fund balance	64,339	579,380	-	(579,380)
Net change in fund balance	<u>-</u>	<u>-</u>	<u>832,527</u>	<u>832,527</u>
Fund balances - beginning			<u>5,938,069</u>	
Fund balances - ending			<u>6,770,596</u>	

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

Scotland County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	170	841,373	-	841,543
Accounts receivable, net	100,137	62,751	50,125	213,013
Due (to) from other funds	-	81,864	(81,864)	-
Total current assets	<u>100,307</u>	<u>985,988</u>	<u>(31,739)</u>	<u>1,054,556</u>
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	314,334	-	-	314,334
Other capital assets, net of depreciation	<u>273,115</u>	<u>2,627,241</u>	<u>5,756,626</u>	<u>8,656,982</u>
Total capital assets	<u>587,449</u>	<u>2,627,241</u>	<u>5,756,626</u>	<u>8,971,316</u>
Total assets	<u>687,756</u>	<u>3,613,229</u>	<u>5,724,887</u>	<u>10,025,872</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	55,161	21,976	234	77,371
General obligation bonds payable	-	42,500	81,500	124,000
Due to other funds	<u>341,309</u>	-	-	<u>341,309</u>
Total current liabilities	<u>396,470</u>	<u>64,476</u>	<u>81,734</u>	<u>542,680</u>
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,686,184	-	-	1,686,184
Other post employment benefits	142,756	-	-	142,756
Compensated absences payable	25,360	2,633	-	27,993
General obligation bonds payable	-	1,669,000	4,573,500	6,242,500
Total noncurrent liabilities	<u>1,854,300</u>	<u>1,671,633</u>	<u>4,573,500</u>	<u>8,099,433</u>
Total liabilities	<u>2,250,770</u>	<u>1,736,109</u>	<u>4,655,234</u>	<u>8,642,113</u>
DEFERRED INFLOWS OF RESOURCES				
Credit balances in customer accounts	5,910	-	-	5,910
NET POSITION				
Net investment in capital assets	587,449	915,741	1,101,626	2,604,816
Unrestricted	<u>(2,156,373)</u>	<u>961,379</u>	<u>(31,973)</u>	<u>(1,226,967)</u>
Total net position	<u>(1,568,924)</u>	<u>1,877,120</u>	<u>1,069,653</u>	<u>1,377,849</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds			
	Blended Component Units			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	Total
Operating revenues:				
Charges for services	1,208,126	632,749	547,982	2,388,857
Other operating revenues	<u>181,841</u>	-	-	<u>181,841</u>
Total operating revenues	1,389,967	632,749	547,982	2,570,698
Operating expenses:				
Water purchases	-	230,387	125,591	355,978
Water operations	-	201,416	104,558	305,974
Landfill operations	1,440,542	-	-	1,440,542
Landfill closure and postclosure care costs	45,717	-	-	45,717
Depreciation	<u>69,575</u>	<u>113,236</u>	<u>183,736</u>	<u>366,547</u>
Total operating expenses	1,555,834	545,039	413,885	2,514,758
Operating income (loss)	(165,867)	87,710	134,097	55,940
Nonoperating (expenses):				
Interest	<u>(2,365)</u>	<u>(85,410)</u>	<u>(201,131)</u>	<u>(288,906)</u>
Total nonoperating (expenses)	(2,365)	(85,410)	(201,131)	(288,906)
Change in net position	(168,232)	2,300	(67,034)	(232,966)
Total net position - beginning	<u>(1,400,690)</u>	<u>1,874,820</u>	<u>1,136,687</u>	<u>1,610,817</u>
Total net position - ending	<u>(1,568,922)</u>	<u>1,877,120</u>	<u>1,069,653</u>	<u>1,377,851</u>

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

Scotland County, North Carolina
Statement of Cash Flows - Enterprise Funds
For the Year Ended June 30, 2013

	Business-type Activities			Totals June 30, 2013
	Enterprise Funds			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	1,391,945	636,276	544,399	2,572,620
Cash paid for goods and services	(949,953)	(374,656)	(223,615)	(1,548,224)
Cash paid to or on behalf of employees for services	(456,918)	(60,815)	-	(517,733)
Net cash provided by (used in) operating activities	(14,926)	200,805	320,784	506,663
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in due to (from) other funds	99,569	42,153	(42,153)	99,569
Total cash flows provided by (used in) financing activities	99,569	42,153	(42,153)	99,569
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on bond maturities and equipment contracts	(2,365)	(85,410)	(201,131)	(288,906)
Principal paid on bond maturities and equipment contracts	(82,278)	(40,500)	(77,500)	(200,278)
Net cash (used in) capital and related financing activities	(84,643)	(125,910)	(278,631)	(489,184)
Net increase in cash and cash equivalents	-	117,048	-	117,048
Balances - beginning of the year	170	724,325	-	724,495
Balances - end of the year	170	841,373	-	841,543

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

Scotland County, North Carolina
Statement of Cash Flows - Enterprise Funds
For the Year Ended June 30, 2013

	Business-type Activities			Totals June 30, 2013
	Enterprise Funds			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	(165,867)	87,710	134,097	55,940
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	69,575	113,236	183,736	366,547
Provision for uncollectible accounts	(8,056)	(684)	(302)	(9,042)
Landfill closure and postclosure care costs	45,717	-	-	45,717
Changes in assets and liabilities:				
Decrease in accounts receivable	10,104	4,210	3,546	17,860
Increase (decrease) in accounts payable and accrued liabilities	4,416	(2,193)	(293)	1,930
(Decrease) in accrued vacation pay	(4,962)	(1,474)	-	(6,436)
Increase in OPEB payable	<u>34,147</u>	<u>-</u>	<u>-</u>	<u>34,147</u>
Total adjustment	150,941	113,095	186,687	450,723
Net cash provided by (used in) operating activities	<u>(14,926)</u>	<u>200,805</u>	<u>320,784</u>	<u>506,663</u>

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

Scotland County, North Carolina
Statement of Net Fiduciary Position
For the Year Ended June 30, 2013

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>235,529</u>
Liabilities	
Miscellaneous liabilities	<u>235,529</u>

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

Scotland County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

I. Summary of Significant Accounting Policies

The accounting policies of Scotland County and its component units 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 County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Scotland County Water District Phase I Fund and Scotland County Water District Phase II Fund (the *District*) exists to provide and maintain a water system for the county residents within the district. The Districts are reported as enterprise funds in the County's financial statements. Scotland County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. Scotland County Historic Properties Commission, Scotland County ABC Board (the *Board*), and Scotland County Tourism Development Authority, all of which have a June 30 year-end, are presented as if they are separate proprietary funds of the County (discrete presentation). The blended presentation method presents component units as a department or unit of the County, and offers no separate presentation as with the discrete method.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Scotland County Water District I	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the Districts.	None issued.
Scotland County Water District II	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the Districts.	None issued.
Scotland County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Scotland County Historic Properties Commission	Discrete	The County's governing board appoints the members of the commission and has the ability to impose its will on the organization.	Scotland County Historic Properties Commission c/o Mr. Philip McRae, Chairperson P. O. Box 152 Laurinburg, NC 28353-0152
Scotland County ABC Board	Discrete	The members of the ABC Boards' governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Scotland County ABC Board Lauchwood Drive Laurinburg, NC 28352
Scotland County Tourism Development Authority	Discrete	The County's governing board appoints the members of the authority and the ability to impose its will on the organization.	Scotland County TDA 507 W. Covington Street Laurinburg, NC 28352 Cory Hughes, Executive Director

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government's net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, 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 County and for each function of the County'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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. 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.

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, result from non-exchange transactions. Other nonoperating items such as investment earnings are ancillary activities.

The County reports the following major governmental fund:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following major enterprise funds:

Public Works Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

Scotland County Water District I Fund. This fund is used to account for the operations of the Water District I within the County.

Scotland County Water District II Fund. This fund is used to account for the operations of the Water District II within the County.

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Scotland County Board of Education; the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; the Inmate Trust Fund, which accounts for inmates personal funds; the Tourism Development Fund, which accounts for the Scotland County Tourism Development funds; the Concealed Weapons Fund, which accounts for fees paid by citizens for permits; and the Register of Deeds Fund, which accounts for fees collected for deed services.

Nonmajor Funds. The County maintains nine legally budgeted funds. Library Services Fund, Fire Service District Fund, Revaluation Fund, Emergency Telephone System Fund, North Carolina Housing Finance Agency and CDBG Funds are reported as nonmajor special revenue funds. The Wagram Recreation Center, School Capital Project and the 911 Building Project Funds are reported as capital project funds.

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual 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, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using 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 County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as

operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Scotland County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block 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 County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, Fire District, and Revaluation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund, the Capital Projects Fund, and the Enterprise Capital Projects Funds, which are consolidated with the enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several immaterial 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.

D. Assets, Liabilities, Deferred Inflows and Outflows and Fund Equity

1. Deposits and Investments

All deposits of the County, Scotland County ABC Board, Scotland County Tourism Development Authority, and Scotland County Historic Properties Commission are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the ABC Board, Scotland County Tourism Development Authority, and the Historic Properties Commission may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also the County, the ABC Board, Scotland County Tourism Development Authority, and the Historic Properties Commission may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County, the ABC Board, the Tourism Development Authority, and the Historic Properties Commission 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; and the North Carolina Capital Management Trust, (NCCMT).

The County, the ABC Board, the Tourism Development Authority, and the Historic Properties Commission's investments and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The County pools moneys from several funds, except the Pension Trust Fund, 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. The ABC Board, Scotland County Tourism Development Authority, and Scotland County Historic Properties Commission consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

2.a Restricted Assets

Cash in the nonmajor special revenue and capital project governmental funds is restricted to that purpose which the fund was set up. See Page 71 for restricted purposes.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (licn date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2012. As allowed by state law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

5. Inventories and Prepaid Items

The inventories of the ABC Board are valued at replacement cost, which approximates market. The County's General Fund shows no inventory, as expendable supplies are recorded as expenditures when purchased. The inventory of the ABC Board consists of material and supplies held for consumption or resale. The cost of the inventory carried in the ABC Board is recorded as an expense as it is consumed or sold.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Minimum capitalization cost for land and all other assets is \$5,000.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	20
Improvements	20
Furniture and equipment	10
Vehicles	6
Computer equipment	3

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Buildings	20
Furniture and equipment	10
Computers	3

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow 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 County has no items that meets this criterion. In addition to liabilities, the statement of financial position can also report 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 County has only two items that meet the criterion for this category – prepaid taxes and property taxes receivable.

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

9. Compensated Absences

The vacation policies of the County and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County’s government-wide and proprietary funds, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Scotland County Tourism Development Authority and the Scotland County Historic Properties Commission have no employees.

The sick leave policies of the County and the ABC Board provide 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 none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of five 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.

Inventories-portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization of State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Fire Protection and Library Services - portion of fund balance that is restricted by revenue source for fire protection and library expenditures.

Restricted for School Capital - portion of fund balance that can only be used for School Capital per G.S. 159-18-22.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of Scotland County’s governing body (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Committed for Tax Revaluation - portion of fund balance that can only be used for Tax Revaluation.

Assigned Fund Balance – portion of fund balance that the Scotland County governing board has budgeted.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

Assigned for Recreation Capital Outlay – portion of fund balance that has been budgeted by the board for the construction of new recreation center.

Assigned School Capital Outlay – portion of fund balance that has been budgeted by the board for future school capital construction.

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

E. Reconciliation of Government-wide and Fund Financial Statements

1. 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 \$(2,475,046) consists of several elements as follows:

Fixed assets	\$ 17,359,550
Less accumulated depreciation	(9,613,074)
Net capital assets	<u>\$ 7,746,476</u>
Liabilities for revenue deferred inflows of resources reported in the fund statements but not the government-wide	4,416,317
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(9,224,497)
Compensated absences	(865,986)
Net pension obligation	(65,179)
Other post-employment benefits	<u>(4,482,177)</u>
	(14,637,839)
Total adjustment	<u>\$ (2,475,046)</u>

2. 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 \$(2,184,699) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 779,240
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.	(552,210)
Transfer of completed project to local Board of Education.	(2,974,297)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position.	(223,805)
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.	1,634,580
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Compensated absences	12,728
Other postemployment benefits	(871,547)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in deferred inflows of resources - taxes receivable - at year end	10,612
Total adjustment	<u>\$ (2,184,699)</u>

II. Stewardship, Compliance, and Accountability

A. Deficit in Net Position

The Public Works Fund has negative Net Position as of June 30, 2013 in the amount of \$(1,568,924). A corrective action plan has been outlined in the compliance section of this report. (See significant deficiency 2013-1 in the Schedule of Findings and Questioned Costs).

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, the Historic Properties Commission, Tourism Development Authority, and the ABC 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 County's, the Historic Properties Commission's, the Tourism Development Authority's, or the ABC Board's agents in these units' names. 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 County, the Historic Properties Commission, the Tourism Development Authority, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. 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 County, the Historic Properties Commission, the ABC Board, the Tourism Development Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Historic Properties Commission, the ABC Board or the Tourism Development Authority under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Historic Properties Commission, the ABC Board and the Tourism Development Authority have no formal policy regarding custodial credit risk for deposits.

At June 30, 2013, the County's deposits had a carrying amount of \$3,818,157 and a bank balance of \$4,282,787. Of the bank balance \$348,024 was covered by federal depository insurance, and \$2,933,920 in non-interest bearing deposits and \$1,000,843 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2013, Scotland County had \$3,000 cash on hand.

At June 30, 2013, the carrying amount of deposits for Scotland County ABC Board was \$144,048 and the bank balance was \$155,074. All of the bank balance was covered by federal depository insurance.

At June 30, 2013, the carrying amount of deposits for Scotland County Historic Properties Commission was \$73,016 and the bank balance was \$73,016. All of the bank balance was covered by federal depository insurance.

At June 30, 2013, the carrying amount of deposits for Scotland County Tourism Development Authority was \$151,672 and the bank balance was \$151,672. All of the bank balance was covered by federal depository insurance.

The County has no policy regarding custodial credit risk for deposits.

2. Investments

At June 30, 2013, the County's investments consisted of \$4,631,246 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

3. Property Tax – Use-Value Assessment on Certain Lands

In accordance with the general statutes, agriculture, horticulture, and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2010	666,666	38,333	704,999
2011	668,690	38,450	707,140
2012	748,441	43,035	791,476
2013	807,023	46,404	853,427
Totals	<u>2,890,820</u>	<u>166,222</u>	<u>3,057,042</u>

4. Receivables

Receivables at the government-wide level at June 30, 2013, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Funds/ Governments	Total
Governmental activities:				
General	\$ 244,877	\$ 4,648,755	\$ 1,435,830	\$ 6,329,462
Total receivables	244,877	4,648,755	1,435,830	\$ 6,329,462
Allowance for doubtful accounts	-	232,438	-	\$ 232,438
Total - governmental activities	\$ 244,877	\$ 4,416,317	\$ 1,435,830	\$ 6,097,024
Business-type activities:				
Public works	\$ 110,943	\$ -	\$ -	\$ 110,943
Water district I	66,729	-	-	\$ 66,729
Water district II	56,952	-	-	\$ 56,952
Total receivables	234,624	-	-	\$ 234,624
Allowance for doubtful accounts	21,610	-	-	\$ 21,610
Total - business-type activities	\$ 213,013	\$ -	\$ -	\$ 213,013

The due from other governments that is owed to the County consists of the following:

Local option sales tax/sales tax refunds	\$ 1,094,522
Due from public works	\$ 341,308
	\$ 1,435,830

5. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,352,082	\$ -	\$ -	\$ 1,352,082
Construction in progress	2,974,297	148,590	2,974,297	\$ 148,590
Total capital assets not being depreciated	4,326,379	148,590	2,974,297	\$ 1,500,672
Capital assets being depreciated:				
Buildings & improvements	9,377,896	174,366	-	\$ 9,552,262
Equipment	1,739,298	98,546	-	\$ 1,837,844
Vehicles and motor equipment	4,245,637	357,738	134,603	\$ 4,468,772
Total capital assets being depreciated	15,362,831	630,650	134,603	\$ 15,858,878
Less accumulated depreciation for:				
Buildings & improvements	4,343,855	219,236	-	\$ 4,563,091
Equipment	1,394,380	75,501	-	\$ 1,469,881
Vehicles and motor equipment	3,457,232	257,473	134,603	\$ 3,580,102
Total accumulated depreciation	\$ 9,195,467	\$ 552,210	\$ 134,603	\$ 9,613,074
Total capital assets being depreciated, net	6,167,364			\$ 6,245,804
Governmental activity capital assets, net	\$ 10,493,743			\$ 7,746,476

Primary Government

Depreciation expense was charged to function/programs of the primary government as follows:

General government	\$ 178,323
Public safety	181,055
Central service	70,690
Human services	122,142
Total depreciation expense	\$ 552,210

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Landfill				
Capital assets not being depreciated:				
Land	\$ 314,334	\$ -	\$ -	\$ 314,334
Capital assets being depreciated:				
Buildings	867,187	-	-	\$ 867,187
Improvements	244,816	-	-	\$ 244,816
Furniture and maintenance equipment	2,086,307	-	-	\$ 2,086,307
Vehicles	404,903	-	-	\$ 404,903
Total capital assets being depreciated	<u>\$ 3,603,213</u>	<u>-</u>	<u>-</u>	<u>\$ 3,603,213</u>
Less accumulated depreciation for:				
Buildings	826,688	7,764	-	\$ 834,452
Improvements	244,816	-	-	\$ 244,816
Furniture and maintenance equipment	1,830,302	38,051	-	\$ 1,868,353
Vehicles	358,716	23,760	-	\$ 382,476
Total accumulated depreciation	<u>\$ 3,260,522</u>	<u>\$ 69,575</u>	<u>\$ -</u>	<u>\$ 3,330,097</u>
Total capital assets being depreciated, net	<u>\$ 342,691</u>			<u>\$ 273,116</u>
Landfill capital assets, net	<u>\$ 657,025</u>			<u>\$ 587,450</u>
Scotland County Water District I				
Capital assets being depreciated:				
Plant and distribution systems	4,529,450	-	-	\$ 4,529,450
Total capital assets being depreciated	<u>\$ 4,529,450</u>			<u>\$ 4,529,450</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,788,972	113,236	-	\$ 1,902,208
Total accumulated depreciation	<u>\$ 1,788,972</u>	<u>\$ 113,236</u>	<u>\$ -</u>	<u>\$ 1,902,208</u>
Total capital assets being depreciated, net	<u>\$ 2,740,478</u>			<u>\$ 2,627,242</u>
Scotland County Water District I capital assets, net	<u>\$ 2,740,478</u>			<u>\$ 2,627,242</u>
Scotland County Water District II				
Capital assets being depreciated:				
Plant and distribution systems	7,349,440	-	-	\$ 7,349,440
Total capital assets being depreciated	<u>\$ 7,349,440</u>	<u>-</u>	<u>-</u>	<u>\$ 7,349,440</u>
Less accumulated depreciation for:				
Plant and distribution systems	\$ 1,409,078	183,736	-	\$ 1,592,814
Total accumulated depreciation	<u>\$ 1,409,078</u>	<u>\$ 183,736</u>	<u>\$ -</u>	<u>\$ 1,592,814</u>
Total capital assets being depreciated, net	<u>\$ 5,940,362</u>			<u>\$ 5,756,626</u>
Scotland County Water District II capital assets, net	<u>\$ 5,940,362</u>			<u>\$ 5,756,626</u>
Business-type activities capital assets, net	<u>\$ 9,337,865</u>			<u>\$ 8,971,318</u>

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	187,383	-	-	187,383
Furniture and equipment	72,112	-	-	72,112
Total capital assets being depreciated	259,495	-	-	259,495
Total accumulated depreciation	207,735	8,530	-	216,265
ABC capital assets, net	\$ 70,760			\$ 62,230

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 195,000	\$ -	\$ -	\$ 195,000
Construction in progress	12,180	2,558	12,180	2,558
Historic buildings	21,053	-	-	21,053
Total capital assets not being depreciated	228,233	2,558	12,180	218,611
Capital assets being depreciated:				
Buildings	441,388	18,771	-	460,159
Furniture and equipment	225,198	3,494	-	228,692
Total capital assets being depreciated	666,586	22,265	-	688,851
Less accumulated depreciation				
Buildings	168,999	14,684	-	183,683
Equipment	104,213	9,051	-	113,264
Total accumulated depreciation	273,212	23,735	-	296,947
Commission capital assets, net	\$ 621,607			\$ 610,515

The Scotland County Tourism Development Authority has no fixed assets.

B. Liabilities

1. Payables & Accrued Liabilities

Payables at the government-wide level at June 30, 2013 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	278,411	642,059	-	920,471
Other governmental	<u>3,327</u>	<u>-</u>	<u>-</u>	<u>3,327</u>
Total - governmental activities	<u>281,738</u>	<u>642,059</u>	<u>-</u>	<u>923,798</u>
Business-type activities:				
Public works	36,444	18,718	-	55,162
Water and sewer districts	<u>20,262</u>	<u>1,947</u>	<u>-</u>	<u>22,209</u>
Total - business-type activities	<u>56,706</u>	<u>20,665</u>	<u>-</u>	<u>77,371</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. Scotland County and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental 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 LERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.99% and 7.04%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6.75% of annual covered payroll. The contribution requirements of members and of Scotland County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LERS for the years ended June 30, 2013, 2012 and 2011 were \$662,846, \$699,811, and \$702,732, respectively. The ABC Board's contributions to LERS for the years ended June 30, 2013, 2012 and 2011 were \$28,609, \$28,784 and \$32,033, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Scotland County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2012, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>36</u>
Total	<u>40</u>

2. Summary of Significant Accounting Policies:

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

3. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$43,035, or 3.37% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 18 years.

3 Year Trend Information			
For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	62,763	97.10%	33,466
2012	62,660	77.49%	47,321
2013	60,893	70.68%	65,179

4. Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$623,930, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$623,930. The covered payroll (annual payroll of active employees covered by the plan) was \$1,277,628, and the ratio of the UAAL to the covered payroll was 48.84 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan

1. For Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2013 were \$117,543, which consisted of \$64,296 from the County and \$53,247 from the law enforcement officers.

(2) Other than Law Enforcement Officers

All employees, other than law enforcement officers, employed by the County participate in a Supplemental Retirement Income Plan, a defined contribution pension plan. Employees who have completed their probationary period and are enrolled in the Local Governmental Employees' Retirement System are eligible to participate in the Plan. For the year ended June 30, 2013, the governing body of the County authorized a contribution of 2% percent of employees' compensation to the Plan. Also, employees may make voluntary contributions to the Plan.

Total contributions for the year ended June 30, 2013 were \$336,819, which consisted of \$140,178 from the County and \$196,641 from the employees. The County's contributions and the employees' voluntary contributions represented 2.03 percent and 2.84 percent of the covered payroll amount, respectively.

d. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. None of the County's employees are participating in the Plan.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description. Scotland County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds that is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one-half percent (1.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2013, the County's required and actual contributions were \$2,533.

f. Other Post Employment Benefit:

Healthcare Benefits

Plan Description. Under the terms of the Scotland County personnel policy approved by the Board of County Commissioners, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of January 5, 1987, this plan provides postemployment healthcare benefits to retirees of the County. The County pays the full cost of coverage for these benefits through private insurers. Also, the County retirees have the option of continuing, at their own expense, any additional coverage for self and/or dependent(s) available with the County group. Dependent coverage will end when the dependent becomes eligible for another group health plan and the County's group life insurance plan.

Eligibility for Allowance. All regular full-time County employees and regular part-time employees who work at least thirty-two (32) hours per week, whose retirement under the provision of the North Carolina Local Government Employees' Retirement System is either through length of service, during which time at least fifteen (15) consecutive years are served with Scotland County prior to retirement, or disability, will continue to be covered on the County group health plan and the County's Group Life Insurance Plan.

For retirees whose hire date is on or after July 1, 2004, health coverage will end when retiree becomes eligible for medicare at age 65.

All elected County officials who have served two or more consecutive terms, or who retire under the North Carolina Local Governmental Employees' Retirement System, will continue to be carried on the County's group life insurance program.

Amount of Allowance. For those employees who retire with at least 15 years of consecutive years of service will be fully covered at their existing level of coverage at the time of retirement for the County's group health plan and the County's group life plan.

Membership of the HCB Plan consisted of the following at June 30, 2013, the date of the latest actuarial valuation:

Active Members	
Law enforcement officers	36
General employees	242
Retired members	<u>102</u>
Total	<u>380</u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of County Commissioners. The County members pay \$356.00 for EE/Spouse coverage, \$215.00 for EE/Child(ren) coverage. Only one (1) retiree carries dependent coverage and that is EE/Spouse. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 14.96% of annual covered payroll. For the current year, the County contributed \$638,612 or 6.09% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented .36% and 5% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$6,960. The County's obligation to contribute to HCB Plan is established and may be amended by the County Board.

Summary of Significant Accounting Policies.

Postemployment expenditures are made from the General and Landfill Funds, which are maintained on the modified accrual and full accrual basis of accounting, respectively. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of the GASB Statement 45. That ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the County's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	1,516,643
Interest on net OPEB obligation	149,609
Adjustment to annual required contribution	<u>142,923</u>
Annual OPEB cost (expense)	1,523,329
Contributions made	<u>(638,612)</u>
Increase in net OPEB obligation	884,717
Net OPEB obligation, beginning of year	<u>3,740,216</u>
Net OPEB obligation, end of year	<u>4,624,933</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2013 were as follows:

3 Year Trend Information			
For Year End	Annual	Percentage	Net OPEB
June 30,	OPEB Cost	Annual OPEB	Obligation
		Cost	
		Contributed	
2011	1,357,375	29.29%	2,933,834
2012	1,330,407	35.57%	3,740,216
2013	1,523,329	41.92%	4,624,933

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$23,630,059. The covered payroll (annual payroll of active employees covered by the plan) was \$10,484,956, and the ratio of the UAAL to the covered payroll was 225.37 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 9.50 and 5.00 percent. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2013, the County made contributions to the State for death benefits of \$12,820. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 15% and 12% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

3. Closure and Postclosure Care Costs – Patterson Road Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Patterson Road Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,686,184 reported as landfill closure and postclosure care liability at June 30, 2013 represents a cumulative amount reported to-date based on the use of 75% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,280,050 as the remaining estimated capacity is filled. These amounts are based in what it would have cost to perform all closure and postclosure care in 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements.

Landfill Facility and Environmental Remediation

Over the next 28 years, environmental expenditures to insure the landfill is in compliance with environmental regulations are broadly estimated to be \$765,000. Because some of this estimated amount is expended every year and charged to various landfill expenses and the liability is broadly estimated, no liability is accrued at this time.

4. Deferred/Outflows of Resources

The balance in deferred outflows of resources at year-end is composed of the following elements:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	-	77,882
Taxes receivable, net (General)	<u>4,416,317</u>	<u>-</u>
Total	<u>4,416,317</u>	<u>77,882</u>

5. Risk Management

The County 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 County participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$24,557,100 for any one occurrence, general, auto, professional, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, workers' compensation coverage up to the statutory limits, and health and dental insurance for County employees. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request.

The County does not carry flood insurance. The County is not in a designated flood zone.

In accordance with G.S. 159-29, The County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through a commercial surety bond. The Director of Finance and tax collector are each individually bonded for \$50,000 each. All employees that have access to funds are bonded under a blanket bond for \$1,000,000.

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

Scotland County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board has property, general liability, auto liability, workers' compensation, and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Scotland County Historic Properties Commission is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Historic Properties Commission carries commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Scotland County Tourism Development Authority is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Tourism Development Authority carries commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

6. Claims, Judgments and Contingent Liabilities

As of the date of this report, the County was a defendant to one lawsuit. Management believes the outcome will be insignificant on the County.

7. Long-Term Obligations

a. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County. Scotland County issued general obligation bonds to provide funds for the acquisition and construction of two new schools. These bonds, which are recorded in the General Fund, are collateralized by the full faith, credit and taxing power of the County. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2013 are comprised of the following individual issues:

Serviced by the County's General Fund: \$4,746,000 school series 2008 bonds due June 1 in installments of \$368,000 to \$488,000 through June 1, 2020; interest at 3.95% (Replaced school series 1997)	2,663,000
\$6,690,000 school series 2009 bonds due June 1 in installments of \$325,000 to \$740,000 through June 1, 2020; interest at 3.95% (Replaced school series 1998 and 1999)	<u>3,970,000</u>
Total	<u>6,633,000</u>

b. Installment Financing Contracts

\$350,000 2007 recreation center lighting project debt first payment due July 13, 2007 in monthly installments of \$4,766.38 through June, 2014; interest rate 3.89%	56,009
\$3,000,000 Wagram Primary Expansion QSCB first payment due July 15, 2011 in yearly installments through July 15, 2020. Interest is 5.420% but reimbursed with tax credits	2,400,000
\$223,805 vehicle financing note. First payment due June 2013; Final payment due June 2014; Interest rate is 1.4450%	<u>135,488</u>
Total	2,591,497
TOTAL	<u>9,224,497</u>

Serviced by the County's Water District No. 1 and 2:

Water District Bonds outstanding at June 30, 2013 in the amount of \$6,366,500 are obligations of the water district, a blended component unit of the County and are not obligations of the County. Payments due on this debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2014	124,000	281,273
2015	129,500	275,738
2016	134,500	269,956
2017	141,000	263,949
2018	804,500	257,650
2019-2023	1,002,000	1,183,550
2024-2028	1,228,500	977,983
2029-2033	1,425,000	723,161
2034-2038	1,145,500	422,869
2039-2043	232,000	147,794
TOTAL	<u>\$ 6,366,500</u>	<u>\$4,803,923</u>

Annual debt service requirements to maturity for the County's general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	1,031,000	228,036
2015	1,013,000	198,192
2016	995,000	169,116
2017	981,000	138,658
2018	967,000	106,809
2019-2020	1,646,000	128,896
Total	<u>\$ 6,633,000</u>	<u>\$ 969,707</u>

At June 30, 2013, Scotland County had a legal debt margin of \$147,657,188.

b. Qualified School Construction Bond

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed various property acquisitions for use by Scotland County Board of Education during the fiscal year ended June 30, 2011 by a qualified school construction bond (QSCB). The QSCB was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Scotland County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

The QSCB was executed in June 2011 for various property improvements for use by Scotland County Board of Education. The transaction required ten principal payments by the County of \$171,429 and sixteen semi-annual interest payments at an interest rate of 7%. For Scotland County, the future minimum payments as of June 30, 2013, including \$126,000 of interest are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	300,000	113,820
2015	300,000	97,560
2016	300,000	81,300
2017	300,000	65,040
2018	300,000	48,780
2019-2020	<u>900,000</u>	<u>51,780</u>
Total	<u>\$ 2,400,000</u>	<u>\$ 458,280</u>

Installment Purchases:

Annual debt service requirements to maturity for the County's installment agreements are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2014	<u>\$ 191,497</u>	<u>\$ 3,145</u>

Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 7,678,000	-	1,045,000	\$ 6,633,000	\$ 1,031,000
Installment financing	\$ 2,957,272	223,805	589,580	\$ 2,591,497	\$ 491,497
Net pension obligation	\$ 47,321	17,858	-	\$ 65,179	\$ -
Compensated absences	\$ 878,714	689,595	702,323	\$ 865,986	\$ -
Other postemployment benefits	\$ 3,631,489	850,689	-	\$ 4,482,178	\$ -
Total governmental activities	\$ 15,192,796	\$ 1,781,947	\$ 2,336,903	\$ 14,637,840	\$ 1,522,497
Business-type activities:					
Water and sewer districts					
General obligation debt	\$ 6,484,500	-	118,000	\$ 6,366,500	\$ 124,000
Compensated absences	\$ 4,107	2,404	3,878	\$ 2,633	\$ -
Total water and sewer activities	\$ 6,488,607	2,404	121,878	\$ 6,369,133	\$ 124,000
Landfill					
Accrued landfill closure and postclosure care costs					
	\$ 1,640,467	45,717	-	\$ 1,686,184	\$ -
Installment financing	\$ 82,278	-	82,278	\$ -	\$ -
Compensated absences	\$ 30,322	16,163	21,125	\$ 25,360	\$ -
Other postemployment benefits	\$ 108,727	34,029	-	\$ 142,756	\$ -
Total landfill activities	\$ 1,861,794	95,909	103,403	\$ 1,854,300	\$ -
Total business-type activities	\$ 8,350,401	\$ 98,313	\$ 225,281	\$ 8,223,433	\$ 124,000

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2013, consist of the following:

From the General Fund to the:

Revaluation Fund to finance various revaluation expenditures	\$ 50,000
911 Building Capital Project to fund building of emergency call center	\$ 130,000
From the closing of the Wagram Recreation Capital Project to the General Fund	\$ 12,052
From the closing of the School Capital Project to the General Fund	\$ 28,777
From the Emergency Telephone System Fund to the:	
911 Building Capital Project to fund building of emergency call center	\$ 18,590
Total	\$ 239,419

Due To and From Interfunds and Other Governments

General Fund:

Due from Solid Waste for cash used in operations Exhibit 3 \$ 341,309

Water District One:

Due from Water District Two for cash used in operations Exhibit 7 \$ 81,864

D. Fund Balance

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

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

Total fund balances - General Fund	\$ 6,770,596
Less:	
Stabilization by State Statute	1,680,707
Remaining Fund Balance	5,089,889

IV. Jointly Governed Organization

The County, in conjunction with three other counties and twenty-three municipalities, established the Lumber River Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$25,278 to the Council during the fiscal year ended June 30, 2013.

Other Organizations

Richmond Community College, located at Hamlet, North Carolina, maintains a continuing education center in Laurinburg, North Carolina. The facility was deeded to Richmond Community College by the City of Laurinburg in 1987. Scotland County has no contractual obligation to provide financial support to Richmond Community College, has no equity interest but appoints two members of the governing board. The decision to honor requests for financial support by the college is discretionary with the Scotland County Board of Commissioners and is considered at budget consideration time. For the fiscal year ended June 30, 2013, Scotland County approved and paid the sum of \$185,012 to Richmond Community College.

The Scotland County Economic Development Corporation is located in Scotland County. Scotland County has no contractual obligation to provide financial support to the corporation and appoints three members to the board. For fiscal year ended June 30, 2013, Scotland County paid \$179,119 to the Scotland County Economic Development Organization.

V. Related Party Transactions

No significant transactions with related parties were detected during our audit.

VI. Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State moneys. County personnel are involved with certain functions primarily eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
Medicaid	\$45,840,810	\$25,469,570
Food stamp program	420,356	-
WIC	1,512,495	-
Title IV-E, foster care	178,926	19,132
Adult assistance	-	406,205
Adoption assistance	242,841	-
	<u>\$48,195,428</u>	<u>\$25,894,907</u>

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County 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.

VIII. Subsequent Events

Management has evaluated subsequent events through January 6, 2014, the date which the financial statements were available to be issued.

In October 2013, the County entered into a 17 year energy savings contract for an estimated \$1.6 million, including financing costs.

IX. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. Additionally, GASB Statement 65 requires that deferred costs from the refunding of debt, which were previously deferred and amortized, be presented as deferred outflows of resources.

Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits

Scotland County, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-06	-	512,929	512,929	0.00%	1,176,658	43.59%
12-31-07	-	495,150	495,150	0.00%	1,419,816	34.87%
12-31-08	-	495,412	495,412	0.00%	1,416,775	34.97%
12-31-09	-	619,248	619,248	0.00%	1,538,964	40.24%
12-31-10	-	578,307	578,307	0.00%	1,471,871	39.29%
12-31-11	-	554,274	554,274	0.00%	1,303,055	42.54%
12-31-12	-	623,930	623,930	0.00%	1,277,628	48.84%

Scotland County, North Carolina
 Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	52,216	107.92%
2010	51,530	122.25%
2011	62,875	96.93%
2012	48,805	77.49%
2013	61,472	70.67%

No employer contributions have been made due to the fact that the County has elected to fund the amounts necessary to provide the benefits earned by current appropriations.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	18 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
*Includes inflation at	3.00%
Cost-of-living adjustments	N/A

Scotland County, North Carolina
 Other Postemployment Benefits
 Required Supplementary Information
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
12/31/10	-	16,438,326	16,438,326	0%	10,834,980	151.70%
12/31/11	-	19,691,716	19,691,716	0%	10,134,986	194.30%
12/31/12	-	23,630,059	23,630,059	0%	10,265,000	230.20%

Scotland County, North Carolina
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	1,346,537	29.52%
2012	1,314,300	39.87%
2013	1,516,643	41.90%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as follows:

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	29 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	9.5% to 5.00%
Year of ultimate trend rate 2018	
*Includes inflation at	3.00%
Cost-of-living adjustments	None

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		20,820,455	
Interest		<u>338,017</u>	
Total	20,583,064	21,158,472	575,408
Local option sales taxes:			
Article 39 one percent		2,210,619	
Article 40 one-half of one percent		1,666,526	
Article 42 one-half of one percent		1,233,318	
Article 44 one-half of one percent		<u>293,394</u>	
Total	5,159,225	5,403,856	244,631
Other taxes and licenses:			
Franchise tax	80,000	118,053	38,053
Unrestricted intergovernmental:			
Beer and wine tax		74,362	
ABC profit distribution		<u>93,910</u>	
Total	50,000	168,272	118,272
Restricted intergovernmental:			
State and federal grants		7,581,961	
Lottery proceeds		476,225	
Court facility fees		<u>63,498</u>	
Total	9,073,712	8,121,684	(952,028)
Permits and fees:			
Election fees		158	
Inspection fees		198,653	
Register of deeds		<u>169,347</u>	
Total	291,190	368,159	76,969

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance Positive (Negative)
	Budget	Actual	
Revenues - continued:			
Sales and services:			
Jail and other fees		222,750	
Ambulance fees		993,858	
Recreation fees		148,614	
Health department fees		49,706	
Total	1,487,289	1,414,928	(72,361)
Investment earnings	10,850	11,582	732
Fines, forfeitures	278,000	269,724	(8,276)
Miscellaneous:			
Private donations		4,048	
Sheriff dept. - surveillance - shared revenue		7,167	
Other		254,950	
Total	386,005	266,164	(119,841)
 Total revenues	 37,399,335	 37,300,896	 (98,439)

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		60,768	
Other operating expenditures		18,142	
Reimbursements - proprietary funds		(12,000)	
Total	69,593	66,910	2,683
Administration:			
Salaries and employee benefits		637,491	
Other operating expenditures		12,732	
Reimbursements - proprietary funds		(71,240)	
Total	595,926	578,983	16,943
Elections:			
Salaries and employee benefits		130,187	
Other operating expenditures		52,960	
Total	186,570	183,147	3,423
Tax:			
Salaries and employee benefits		566,188	
Other operating expenditures		121,768	
Total	760,287	687,957	72,330
Legal:			
Contracted services		39,275	
Total	53,125	39,275	13,850
Register of deeds:			
Salaries and employee benefits		173,807	
Other operating expenditures		31,401	
Total	218,648	205,208	13,440

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		5,207	
Total	7,000	5,207	1,793
Information technology:			
Salaries and employee benefits		102,421	
Other operating expenditures		68,754	
Total	197,804	171,175	26,629
Total general government	2,088,953	1,937,862	151,091
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,130,692	
Other operating expenditures		371,612	
Capital outlay		223,805	
Total	2,734,244	2,726,110	8,134
Jail:			
Salaries and employee benefits		1,045,224	
Other operating expenditures		672,415	
Total	1,840,629	1,717,639	122,990
Emergency communications & services:			
Salaries and employee benefits		1,463,166	
Other operating expenditures		202,500	
Capital outlay		51,110	
Total	1,834,904	1,716,775	118,129
Forestry service	80,775	80,775	-

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures - continued:			
Inspections:			
Salaries and employee benefits		236,283	
Other operating expenditures		13,554	
Total	253,266	249,837	3,429
Planning & zoning:			
Other operating expenditures		659	
Total	5,453	659	4,794
Scotland County Rescue Squad	36,100	36,026	74
Medical examiner	35,000	28,800	6,200
Animal control:			
Salaries and employee benefits		91,632	
Other operating expenditures		9,485	
Total	103,257	101,116	2,141
Humane society	106,025	106,025	-
Surveillance and drugs:			
Other operating expenditures		10,000	
Total	10,000	10,000	-
Total public safety	7,039,653	6,773,762	265,891

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures		467,990	
Total	494,468	467,990	26,478
Public buildings:			
Salaries and employee benefits		453,903	
Other operating expenditures		437,380	
Capital outlay		189,781	
Total	1,200,955	1,081,064	119,891
Total central service	1,695,423	1,549,054	146,369
Economic and physical development:			
Industry grants		733,411	
Region N-council of government		25,278	
SEDC		3,616	
Total	816,435	762,305	54,130
Co-op extension:			
Salaries and employee benefits		102	
Other operating expenditures		121,260	
Capital outlay		7,811	
Total	157,611	129,173	28,438
Soil and water conservation:			
Salaries and employee benefits		61,688	
Other operating expenditures		1,904	
Total	64,279	63,593	686
Total economic & physical development	1,038,325	955,071	83,254

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		210,274	
Historic Properties		<u>18,000</u>	
Total other expenditures	238,000	228,274	9,726
Human services:			
Health:			
Administration:			
Salaries and employee benefits		474,640	
Other operating expenditures		131,086	
Capital outlay		<u>16,620</u>	
Total	658,556	622,345	36,211
Tuberculosis:			
Salaries and employee benefits		17,421	
Other operating expenditures		<u>3,121</u>	
Total	24,310	20,542	3,768
Orthopedic		2,549	
Child health		78,356	
Primary care		67,587	
Communicable diseases		<u>174,250</u>	
Total	350,569	322,743	27,826
Family planning:			
Salaries and employee benefits		378,232	
Other operating expenditures		<u>74,680</u>	
Total	557,211	452,912	104,299

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		14,938	
Other operating expenditures		<u>30,103</u>	
Total	50,413	45,041	5,372
Women, infants, and children:			
Salaries and employee benefits		316,689	
Other operating expenditures		<u>21,116</u>	
Total	344,508	337,805	6,703
Environmental health:			
Salaries and employee benefits		133,270	
Other operating expenditures		<u>17,995</u>	
Total	164,290	151,265	13,025
Child services coordinator:			
Salaries and employee benefits		85,328	
Other operating expenditures		<u>14,923</u>	
Total	108,231	100,251	7,980
MCC	153,027	147,084	5,943
Immunization:			
Salaries and employee benefits		21,446	
Other operating expenditures		<u>4,169</u>	
Total	28,165	25,616	2,549
Adult health:			
Salaries and employee benefits		48,872	
Other operating expenditures		<u>13,925</u>	
Total	69,941	62,797	7,144

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		
	Budget	Actual	Variance Positive (Negative)
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		10,823	
Other operating expenditures		28,379	
Total	42,324	39,201	3,123
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		5,996	
Total	80,920	78,916	2,004
Total health	2,632,465	2,406,518	225,947
Social services:			
Administration:			
Salaries and employee benefits		4,025,284	
Other operating expenditures		3,846,200	
Total	8,315,959	7,871,484	444,475
Transportation:			
Salaries and employee benefits		323,552	
Other operating expenditures		115,158	
Capital outlay		101,898	
Total	642,246	540,607	101,639
Total social services	8,958,205	8,412,092	546,113

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		44,676	
Other operating expenditures		<u>18,012</u>	
Total	64,790	62,688	2,102
Total human services	11,655,460	10,881,297	774,163
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		372,231	
Other operating expenditures		<u>168,335</u>	
Total	636,857	540,566	96,291
Libraries:			
Salaries and employee benefits		252,749	
Other operating expenditures		<u>121,807</u>	
Total	382,417	374,555	7,862
Total cultural and recreational	1,019,274	915,121	104,153

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Education:			
Public schools - current expense		10,150,654	
Public schools - lottery-capital outlay		476,225	
Fines and forfeitures		269,730	
Contributions of capital		260,000	
Community colleges - current		<u>246,683</u>	
Total education	11,408,563	11,403,292	5,271
Debt service:			
Principal retirement		1,634,580	
Interest and fees, other		<u>274,688</u>	
Total debt service	1,910,064	1,909,268	796
Total expenditures	38,093,715	36,553,002	1,540,713
Revenues over (under) expenditures	(694,380)	747,893	1,442,273

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2013

	2013		Variance
	Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
Special revenue funds revaluation	(180,000)	(50,000)	130,000
Capital project 911 building		(130,000)	(130,000)
Transfers from other funds:			
Capital projects	-	40,829	40,829
Total net transfers	(180,000)	(139,171)	40,829
Proceeds from installment financing	295,000	223,805	(71,195)
Total other financing sources (uses)	115,000	84,634	(30,366)
Appropriated fund balance	579,380		(579,380)
Net change in fund balance	-	832,527	832,527
Fund balances:			
Beginning of year, July 1		5,938,069	
End of year, June 30		6,770,596	

Scotland County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds						Capital Project Funds					Total Nonmajor Governmental Funds
	Library Services Fund	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	North Carolina Housing Finance Agency CDBG	Total Special Revenue Funds	Wagram Recreation Center Fund	School Capital Projects Fund	911 Building Project Fund	Total Capital Project Funds		
Assets												
Cash and cash equivalents	-	-	66,361	-	-	66,361	-	-	-	66,361		
Restricted cash	7,571	715,034	-	492,086	-	1,220,728	-	-	-	1,220,728		
Prepaid expense	-	1,247	-	-	-	1,247	-	-	-	1,247		
Due from other governments	-	-	-	-	-	-	-	-	-	-		
Total assets	7,571	716,281	66,361	492,086	-	1,288,336	-	-	-	1,288,336		
Liabilities & fund balances												
Liabilities:												
Accounts payable & accrued liabilities	-	-	3,327	-	-	3,327	-	-	-	3,327		
Total liabilities	-	-	3,327	-	-	3,327	-	-	-	3,327		
Fund balances:												
Nonexpendable:												
Prepaid expenses	-	1,247	-	-	-	1,247	-	-	-	1,247		
Restricted for:												
Stabilization for state statute	-	-	-	-	-	-	-	-	-	-		
Fire protection	-	715,034	-	-	-	715,034	-	-	-	715,034		
Emergency telephone	-	-	-	492,086	-	492,086	-	-	-	492,086		
Rehabilitation	-	-	-	-	6,037	6,037	-	-	-	6,037		
Library services	7,571	-	-	-	-	7,571	-	-	-	7,571		
Committed:												
Revaluation	-	-	63,034	-	-	63,034	-	-	-	63,034		
Unassigned	-	-	63,034	-	-	63,034	-	-	-	63,034		
Total fund balances	7,571	716,281	63,034	492,086	-	1,285,009	-	-	-	1,285,009		
Total liabilities, deferred inflows of resources and fund balances.	7,571	716,281	66,361	492,086	-	1,288,336	-	-	-	1,288,336		

Scotland County, North Carolina
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	Special Revenue Funds						Capital Project Funds					Total Nonmajor Governmental Funds
	Library Services Fund	Fire Service District Fund	Emergency Telephone System Revaluation Fund	Emergency Telephone System Fund	Carolina Housing Finance Agency	CDBG	Nonmajor Special Revenue Funds	Wagram Recreation Center	School Capital Projects Fund	911 Building Project Fund	Total Nonmajor Capital Project Funds	
Revenues:												
Ad valorem taxes	-	236,680	-	-	-	-	236,680	-	-	-	-	236,680
Other taxes, licenses & fees	1,038	920	-	175,413	-	-	177,371	-	-	-	-	177,371
Sales tax	-	59,447	-	-	-	-	59,447	-	-	-	-	59,447
Grants	-	-	-	-	248,303	6,037	254,340	-	-	-	-	254,340
Investment earnings	5	5,364	-	-	-	-	5,369	-	-	-	-	5,369
Total revenues	1,043	302,411	-	175,413	248,303	6,037	733,207	-	-	-	-	733,207
Expenditures:												
Public safety	-	224,757	-	250,690	-	-	475,447	-	-	-	-	475,447
Cultural and recreational	1,000	-	-	-	-	-	1,000	-	-	-	-	1,000
Rehabilitation	-	-	-	-	248,303	-	248,303	-	-	-	-	248,303
Capital outlay	-	-	-	39,624	-	-	39,624	-	148,590	148,590	-	188,214
Total expenditures	1,000	224,757	-	290,314	248,303	-	764,374	-	148,590	148,590	-	912,964
Revenues over (under) expenditures	43	77,654	-	(114,901)	-	6,037	(31,167)	-	(148,590)	(179,757)	-	(179,757)
Other financing sources and uses:												
Transfers (to) from other funds	-	-	50,000	(18,590)	-	-	31,410	(12,052)	(28,776)	148,590	107,762	139,172
Total other financing sources	-	-	50,000	(18,590)	-	-	31,410	(12,052)	(28,776)	148,590	107,762	139,172
Net change in fund balances	43	77,654	50,000	(133,491)	-	-	243	(12,052)	(28,776)	-	(40,828)	(40,585)
Fund balances - beginning	7,528	638,627	13,034	625,577	-	-	1,284,766	12,052	28,776	-	40,828	1,325,594
Fund balances - ending	7,571	716,281	63,034	492,086	-	6,037	1,285,009	-	-	-	-	1,285,009

Scotland County, North Carolina
Library Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Licenses & fees	4,500	1,038	(3,462)
Interest earnings	<u>500</u>	<u>5</u>	<u>(495)</u>
Total revenues	<u>5,000</u>	<u>1,043</u>	<u>(3,957)</u>
Expenditures:			
Cultural and recreational	<u>5,000</u>	<u>1,000</u>	<u>4,000</u>
Total expenditures	<u>5,000</u>	<u>1,000</u>	<u>4,000</u>
Revenues over expenditures	<u>-</u>	<u>43</u>	<u>43</u>
Fund balances - beginning		<u>7,528</u>	
Fund balances - ending		<u><u>7,571</u></u>	

Scotland County, North Carolina
Fire Service District Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2013

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	216,000	236,680	20,680
Other taxes, licenses & fees	6,500	920	(5,580)
Sales tax	55,000	59,447	4,447
Investment earnings	<u>2,500</u>	<u>5,364</u>	<u>2,864</u>
Total revenues	280,000	302,411	22,411
Expenditures:			
Public safety	<u>280,000</u>	<u>224,757</u>	<u>(55,243)</u>
Total expenditures	280,000	224,757	(55,243)
Revenues over expenditures	<u>-</u>	77,654	<u>77,654</u>
Fund balances - beginning		<u>638,627</u>	
Fund balances - ending		<u>716,281</u>	

Scotland County, North Carolina
Revaluation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:			
Transfers:			
General fund	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Revenues and other sources over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		<u>13,034</u>	
Fund balances - ending		<u>63,034</u>	

Scotland County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes, licenses & fees	192,747	175,413	(17,334)
Other grants	642,064	-	(642,064)
Interest	<u>13,000</u>	<u>-</u>	<u>(13,000)</u>
Total revenues	<u>847,811</u>	<u>175,413</u>	<u>(672,398)</u>
Expenditures:			
Public safety	524,344	250,690	273,654
Capital outlay	<u>39,624</u>	<u>39,624</u>	<u>-</u>
Total expenditures	<u>563,968</u>	<u>290,314</u>	<u>273,654</u>
Revenues over (under) expenditures	283,843	(114,901)	(398,744)
Other financing sources:			
Transfer out to capital project	(18,590)	(18,590)	-
Appropriated fund balance	<u>(265,253)</u>	<u>-</u>	<u>265,253</u>
Revenues and appropriated fund balance (under) expenditures	<u>-</u>	(133,491)	<u>(133,491)</u>
Fund balances - beginning		<u>625,577</u>	
Fund balances - ending		<u>492,086</u>	

Scotland County, North Carolina
North Carolina Housing Finance
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other grants	<u>324,400</u>	<u>248,303</u>	<u>(76,097)</u>
Total revenues	<u>324,400</u>	<u>248,303</u>	<u>(76,097)</u>
Expenditures:			
Administration	28,940	21,428	7,512
Rehabilitation/construction	<u>295,460</u>	<u>226,875</u>	<u>68,585</u>
Total expenditures	<u>324,400</u>	<u>248,303</u>	<u>76,097</u>
Revenues (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		<u>-</u>	
Fund balances - ending		<u>-</u>	

Scotland County, North Carolina
CDBG
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
 For the Fiscal Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other grants	<u>400,000</u>	<u>6,037</u>	<u>(393,963)</u>
Total revenues	<u>400,000</u>	<u>6,037</u>	<u>(393,963)</u>
Expenditures:			
Rehabilitation/construction	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total expenditures	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Revenues over expenditures	<u>-</u>	<u>6,037</u>	<u>6,037</u>
Fund balances - beginning		<u>-</u>	
Fund balances - ending		<u>6,037</u>	

Scotland County, North Carolina
Wagram Recreation Center
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Restricted intergovernmental	500,000	487,246	-	487,246	(12,754)
Total revenues	<u>500,000</u>	<u>487,246</u>	<u>-</u>	<u>487,246</u>	<u>(12,754)</u>
Expenditures:					
Cultural and recreational	1,337,948	975,194	-	975,194	362,754
Total expenditures	<u>1,337,948</u>	<u>975,194</u>	<u>-</u>	<u>975,194</u>	<u>362,754</u>
Revenues over (under) expenditures	(837,948)	(487,948)	-	(487,948)	350,000
Other financing sources:					
Installment financing	350,000	-	-	-	350,000
Transfers from:					
General Fund	500,000	500,000	-	500,000	-
Transfer out to general fund	<u>(12,052)</u>	<u>-</u>	<u>(12,052)</u>	<u>(12,052)</u>	<u>-</u>
Total other financing sources	837,948	500,000	(12,052)	487,948	(350,000)
Revenues and other sources over (under) expenditures	<u>-</u>	<u>12,052</u>	<u>(12,052)</u>	<u>-</u>	<u>-</u>
Fund balances - beginning			<u>12,052</u>		
Fund balances - ending			<u>-</u>		

Scotland County, North Carolina
School Capital Projects
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2013

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	Variance Positive (Negative)
Revenues:					
Investment earnings	-	3,075	-	3,075	(3,075)
Total revenues	<u>-</u>	<u>3,075</u>	<u>-</u>	<u>3,075</u>	<u>(3,075)</u>
Expenditures:					
Wagram Educational Building	<u>2,971,224</u>	<u>2,974,298</u>	<u>-</u>	<u>2,974,298</u>	<u>3,075</u>
Total expenditures	<u>2,971,224</u>	<u>2,974,298</u>	<u>-</u>	<u>2,974,298</u>	<u>3,075</u>
Revenues (under) expenditures	(2,971,224)	(2,971,223)	-	(2,971,223)	-
Other financing sources:					
Installment financing	3,000,000	2,016,460	-	2,016,460	(983,539)
Transfer out to General fund	<u>(28,776)</u>	<u>-</u>	<u>(28,776)</u>	<u>(28,776)</u>	<u>-</u>
Total other financing sources	2,971,224	2,016,460	(28,776)	1,987,684	(983,539)
Revenues and other sources (under) expenditures	<u>-</u>	<u>(954,763)</u>	<u>(28,776)</u>	<u>(983,539)</u>	<u>(983,539)</u>
Fund balances - beginning			<u>28,776</u>		
Fund balances - ending			<u>-</u>		

Scotland County, North Carolina
911 Center Capital Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual

From Inception and for the Fiscal Year Ended June 30, 2013

	Project Authorization	Actual	Total to Date	Variance Positive (Negative)
Revenues:				
Grant funds	2,750,000	-	-	(2,750,000)
Total revenues	<u>2,750,000</u>	<u>-</u>	<u>-</u>	<u>(2,750,000)</u>
Expenditures:				
Construction	3,350,000	-	-	3,350,000
Architect/engineering	<u>300,000</u>	<u>148,590</u>	<u>148,590</u>	<u>151,410</u>
Total expenditures	<u>3,650,000</u>	<u>148,590</u>	<u>148,590</u>	<u>3,501,410</u>
Revenues over (under) expenditures	<u>(900,000)</u>	<u>(148,590)</u>	<u>(148,590)</u>	<u>751,410</u>
Other financing sources:				
Transfer from 911 fund	770,000	18,590	18,590	(751,410)
Transfer from General Fund	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Total other financing sources	900,000	148,590	148,590	(751,410)
Revenues and other sources over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning		<u>-</u>		
Fund balances - ending		<u>-</u>		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees	1,646,107	1,208,126	(437,981)
Total operating revenues	380,000	181,841	(198,159)
Total operating revenues	2,026,107	1,389,967	(636,140)
Expenditures:			
Operating expenses:			
Salaries & employee benefits	552,221	475,705	76,516
Supplies	26,500	15,754	10,746
Repairs & maintenance	90,000	53,080	36,920
Contracted services	222,500	177,161	45,339
Waste disposal	680,000	580,458	99,542
Other operating expenditures	367,943	109,317	258,626
Total operating expenses	1,939,164	1,411,475	527,689
Debt service:			
Interest	4,665	2,365	2,300
Debt principal	82,278	82,278	-
Total	86,943	84,643	2,300
Capital outlays			
None	-	-	-
Total expenditures	2,026,107	1,496,118	529,989
Revenues (under) expenditures	-	(106,151)	(106,151)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Debt principal		82,278	
Depreciation		(69,575)	
Decrease in accrued vacation		4,962	
(Increase) in accrued landfill closure and postclosure costs		(45,717)	
(Increase) in accrued OPEB liability		(34,029)	
Total reconciling items		(62,081)	
Change in net position		(168,232)	

Scotland County, North Carolina
Water District Phase I Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		632,749	
Total operating revenues	651,045	632,749	(18,296)
Expenditures:			
Operating expenses:			
Salaries and employee benefits		56,708	
Water purchases		232,545	
Other operating expenditures		144,708	
Total operating expenses	525,135	433,961	91,174
Debt service:			
Principal retirement		40,500	
Interest		85,410	
Total	125,910	125,910	-
Total expenditures	651,045	559,871	91,174
Revenues over expenditures	<u>-</u>	72,878	<u>72,878</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payment		40,500	
Depreciation		(113,236)	
Bad debts		684	
Decrease in accrued vacation		1,474	
Total reconciling items		(70,578)	
Change in net position		<u>2,300</u>	

Scotland County, North Carolina
Water District Phase II Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		382,330	
Sewer fees		<u>165,652</u>	
Total operating revenues	552,999	547,982	(5,017)
Expenditures:			
Operating expenses:			
Water purchases		125,591	
Water operations		<u>104,860</u>	
Total operating expenses	274,368	230,451	43,917
Debt service:			
Debt principal		77,500	
Interest		<u>201,131</u>	
Total	278,631	278,631	-
Total expenditures	552,999	509,082	43,917
Revenues over expenditures	<u>-</u>	<u>38,900</u>	<u>38,900</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		77,500	
Depreciation		(183,736)	
Bad debts		<u>302</u>	
Total reconciling items		(105,934)	
Change in net position		<u>(67,034)</u>	

OTHER SCHEDULES

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Social Services				
Assets:				
Cash & cash equivalents	44,555	194,991	210,958	28,588
Liabilities:				
Miscellaneous liabilities	44,555	194,991	210,958	28,588
Fines and Forfeitures				
Assets:				
Cash & cash equivalents	13,234	599,155	606,969	5,420
Liabilities:				
Intergovernmental payable	-	269,730	269,730	-
Other tax	10,613	293,401	300,574	3,440
NC Division of Motor Vehicles	2,621	36,024	36,665	1,980
Total liabilities	13,234	599,155	606,969	5,420
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	29,427	366,630	371,037	25,020
Liabilities:				
Miscellaneous liabilities	29,427	366,630	371,037	25,020
Inmate Trust Fund				
Assets:				
Cash	32,426	90,886	104,414	18,898
Liabilities:				
Inmate funds	32,426	90,886	104,414	18,898
Tourism Development Fund				
Assets:				
Cash	234,724	385,147	468,199	151,672
Liabilities:				
Miscellaneous liabilities	234,724	385,147	468,199	151,672

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Scotland Economic Development				
Assets:				
Cash	380,535	-	380,535	-
Liabilities:				
Miscellaneous liabilities	380,535	-	380,535	-
FCC Water Grant				
Assets:				
Cash	29,513	-	29,513	-
Liabilities:				
Miscellaneous liabilities	29,513	-	29,513	-
Concealed Weapons Fees				
Assets:				
Cash	-	24,735	23,515	1,220
Liabilities:				
Miscellaneous liabilities	-	24,735	23,515	1,220
Register of Deeds				
Assets:				
Cash	-	109,570	104,859	4,711
Liabilities:				
Miscellaneous liabilities	-	109,570	104,859	4,711
Totals - All Agency Funds				
Assets:				
Cash & cash equivalents	764,414	1,771,113	2,299,999	235,529
Liabilities:				
Miscellaneous liabilities	761,793	1,465,360	1,993,604	233,549
Intergovernmental payable	-	269,730	269,730	-
NC Division of Motor Vehicles	2,621	36,024	36,665	1,980
Total liabilities	764,414	1,771,114	2,299,999	235,529

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2013

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2012</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2013</u>
2012-2013	\$ -	\$ 21,018,629	\$ 19,364,830	\$ 1,653,799
2011-2012	1,613,201	-	983,614	\$ 629,587
2010-2011	656,205	-	229,993	\$ 426,212
2009-2010	531,348	-	215,507	\$ 315,841
2008-2009	347,670	-	78,503	\$ 269,167
2007-2008	311,203	-	54,396	\$ 256,807
2006-2007	255,836	-	24,032	\$ 231,804
2005-2006	237,617	-	18,262	\$ 219,355
2004-2005	181,103	-	15,610	\$ 165,493
2003-2004	148,281	-	8,726	\$ 139,555
2002-2003	131,273	-	4,906	\$ 126,367
2001-2002	109,384	-	6,067	\$ 103,317
2000-2001	113,574	-	2,123	\$ 111,451
Total	\$ 4,636,695	\$ 21,018,629	\$ 21,006,569	\$ 4,648,755
				Less allowance for uncollectible accounts
				\$ (232,438)
				Ad valorem taxes receivable - net
				\$ 4,416,317
<u>Reconciliation with revenues:</u>				
Ad valorem taxes				\$ 21,158,472
Penalties collected on ad valorem taxes				\$ 7,866
Reconciling items:				
Interest only collected				\$ (338,017)
Discounts				\$ 83,470
Taxes released				\$ 93,823
Discovery fees				\$ 955
Total reconciling items				\$ (159,769)
Total collections and credits				<u>\$ 21,006,569</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2013

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	1,854,170,290	\$ 1.03	19,097,954	19,097,954	-
Property taxed at current year's rate	140,007,570	\$ 1.03	1,442,078	-	1,442,078
Property taxes at prior year's rate	74,709,690	\$ 0.99	739,626	-	739,626
Penalties & advertising	-		30,309	30,309	-
Total	<u>2,068,887,550</u>		<u>21,309,967</u>	<u>19,128,263</u>	<u>2,181,704</u>
Abatements	<u>(28,285,240)</u>		<u>(291,338)</u>	<u>(214,660)</u>	<u>(76,678)</u>
Total property valuations	<u><u>2,040,602,310</u></u>				
Net levy			21,018,629	18,913,603	2,105,026
Uncollected taxes at June 30, 2013			<u>1,653,799</u>	<u>1,125,271</u>	<u>528,528</u>
Current year's taxes collected			<u><u>19,364,830</u></u>	<u><u>17,788,332</u></u>	<u><u>1,576,498</u></u>
Current year collection percentage			92.13%	94.05%	74.89%

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2013

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹		100%
Real property	\$	1,447,662,518
Personal property		510,150,577
Public service companies ²		<u>82,789,215</u>
Total assessed valuation		2,040,602,310
Tax rate per \$100	\$	74,709,690
		0.99
Tax rate per \$100	\$	1,965,892,620
		1.03
Levy (includes discoveries, releases and abatements) ³	\$	21,018,629

In addition to the County-wide rate, the following table lists the levies by the County on behalf of the fire service district for the fiscal year ended June 30:

Fire protection districts		<u>\$ 234,108</u>
Total		<u>\$ 234,108</u>

¹Percentage of appraised value has been established by statute.

²Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³The levy includes interest and penalties.

Scotland County, North Carolina
 Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2013

<u>Taxpayer</u>	<u>Type of Business</u>	2013 <u>Assessed Valuation</u>	Percentage of Total Assessed <u>Valuation</u>
Pilkington North America	Manufacturing	\$ 94,184,651	4.62%
Progress Energy	Utility	\$ 48,946,421	2.40%
FCC North Carolina, Inc.	Manufacturing	\$ 45,051,509	2.21%
CSX Transportation	Railroad	\$ 36,734,455	1.80%
Kordsa, Inc.	Manufacturing	\$ 25,194,282	1.23%
Lumbee River EMC	Utility	\$ 24,606,816	1.21%
Carroll's Realty	Farm	\$ 22,158,904	1.09%
Bellsouth	Utility	\$ 18,336,624	0.90%
Meritor Heavy Vehicle	Manufacturing	\$ 17,543,795	0.86%
WP Properties	Real Estate	\$ 16,475,530	0.81%
Total		<u>\$ 349,232,987</u>	<u>17.11%</u>

COMPLIANCE SECTION

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

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MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

WM. TED CURRIE, CPA
CARL L. HEAD, CPA

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

We have audited, in accordance with the 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, the [accompanying] financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statement, [not presented here], which collectively comprises Scotland County's basic financial statements, and have issued our report thereon dated January 6, 2014.

Our report includes a reference to other auditors who audited the financial statements of the Scotland County ABC Board and the Scotland County Tourism Development Authority, as described in our report on Scotland County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Scotland County ABC Board and the Scotland County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. *See finding 13-1.*

Compliance and Other Matters

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

Scotland County's Response to Findings

Scotland County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Gustaf C. Lundin + Company, LLP
GUSTAF C. LUNDIN & COMPANY, LLP
Laurinburg, North Carolina

January 6, 2014

Gustaf C. Lundin & Company, LLP

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WM. TED CURRIE, CPA
CARL L. HEAD, CPA

Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Scotland County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Scotland County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Scotland County's major federal programs for the year ended June 30, 2013. Scotland County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Scotland County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require

that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scotland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Scotland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-2 that we consider to be a significant deficiency.

Scotland County's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Scotland County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Gustaf C. Lundin & Company, LLP
GUSTAF C. LUNDIN & COMPANY, LLP
Laurinburg, North Carolina

January 6, 2014

Gustaf C. Lundin & Company, LLP

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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

Report on Compliance for Each Major State Program

We have audited the Scotland County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2013. Scotland County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, Scotland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-3 that we consider to be a significant deficiency.

Scotland County's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Scotland County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Gustaf C. Lundin + Company, LLP
GUSTAF C. LUNDIN & COMPANY, LLP
Laurinburg, North Carolina
January 6, 2014

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified?	_____yes	___X___no
* Significant deficiencies identified that are not considered to be material weaknesses	___X___yes	_____none reported
Noncompliance material to financial statements noted	_____yes	___X___no

Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified?	_____yes	___X___no
* Significant deficiencies identified that are not considered to be material weaknesses	___X___yes	_____none reported

Type of auditor's report issued on compliance for major federal programs:
Unqualified, for all federal programs.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____yes	___X___no
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SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2013

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medicaid
93.659	Adoption

Dollar threshold used to distinguish
 between Type A and Type B Programs \$1,599,907

Auditee qualified as low-risk auditee? _____yes ___X___no

State Awards

Internal control over major State programs:

* Material weakness(es) identified? _____yes ___X___no

* Significant deficiencies identified
 that are not considered to be
 material weaknesses ___X___yes _____none reported

Type of auditor's report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with State
 Single Audit Implementation Act _____yes ___X___no

Identification of major State programs:

<u>Program Name</u>
Medicaid
Adoption
Public School Building Capital Fund

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding: 2013-1

SIGNIFICANT DEFICIENCY

Criteria: Any individual funds with deficits in fund balances or net assets should be disclosed with a corrective action plan. Currently the Public Works Fund has a deficit in its net assets.

Condition: The Public Works Fund has a deficit in net assets due to an accrual of landfill closure and postclosure cost and lack of a revenue stream sufficient to offset the deficit.

Effect: The County could continue to increase the deficit in the Public Works Fund if new revenue streams are not found.

Cause: The County has not generated enough revenue to offset the closure and postclosure cost to offset the deficit within the Public Works Fund.

Recommendation: Scotland County management should continue to search for new revenue streams and cost cutting measures in order to continuously reduce the deficit in the Public Works Fund.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Section III - Federal Award Findings and Questioned Costs

**US Department of Health and Human Service
Administration for Children and Families**

Passed through the NC Dept. of Health and Human Services:

Division of Social Services

Program Name: Adoption Assistance

CFDA #93.659

Finding: 2013-2

Significant Deficiency

SIGNIFICANT Deficiency

Eligibility

Criteria: Individual case records must contain proper documentation of the eligibility determinations determination for adoption assistance and the forms should be properly filled out.

Condition: One case file out of 50 that was reviewed (total population of 73 case files) had an improperly filled out Adoption Assistance Eligibility Checklist (DSS-5012). The checklist summarizes the criteria to meet Federal (IV-E) or State requirements.

Effect: The checklist improperly categorized the individual as a Non-Applicable child which could have caused the individual to be improperly categorized and qualify for State funding when he or she may have qualified for Federal funding.

Cause: Human error in filling our Form DSS-5012 and determining "Applicable Child" status. The child qualified as an "Applicable Child" which is one of the criteria to meet the IV-E status (Federal Funding).

Recommendation: Controls should be in place for supervisory review of the eligibility determination Form DSS-5012.

Views of responsible officials and planned corrective actions: Although the County agrees that a failure in controls occurred in the eligibility determination process or filling out the DSS-5012, the child was still properly categorized into IV-B funding. However, the County agrees with the finding that controls should be strengthened in the review process of eligibility determination and filling out Form DSS-5012.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Section IV - State Award Findings and Questioned Costs

N.C. Department of Public Instruction

Program Name: Public School Building Capital Fund

Passthrough #LEA 830

Finding: 2013-3

Significant Deficiency

SIGNIFICANT Deficiency

Monitoring

Criteria: Counties are responsible for monitoring passthrough funds to subrecipients.

Condition: Proper evidence of monitoring Public School Building Capital passthrough funds to the local school board was not available.

Effect: The County did not properly monitor passthrough funds to the local school board.

Cause: Oversight and misunderstanding of the subrecipient monitoring requirements.

Recommendation: Controls should be in place to identify subrecipients and the compliance requirement related to monitoring those subrecipients.

Views of responsible officials and planned corrective actions: The County agrees with this finding and has implemented controls to monitor subrecipients according to each grantor requirement.

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Finding: 2013-1

Name of contact person: Beth Hobbs - Deputy Finance Officer

Corrective Action: The County has reduced staff in public works and is exploring means of reducing expenditures and seeking new revenue streams.

Proposed Completion Date: Immediately.

Section III - Federal Award Findings and Questioned Costs

Finding: 2013-2

Name of contact person: April Snead - Program Administrator

Corrective Action: All new eligibility determination processes and checklists will be reviewed by a second knowledgeable person to insure correct classification of funding level. Evidence of the second party review will be documented.

Section IV - State Award Findings and Questioned Costs

Finding: 2013-3

Name of contact person: Beth Hobbs - Deputy Finance Officer

Corrective Action: Subrecipients will be identified and monitored as required in the regulations for each funding source.

SCOTLAND COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2013

Prior Year Financial Statements Findings

Finding 2012-1

Status: See current year finding 2013-1.

Finding 2012-2

Corrected

**SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5NC400406	420,356	-	420,356
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5NC700705	342,732	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5NC700705	1,169,763	-	-
Total U.S. Department of Agriculture			<u>1,932,851</u>	<u>-</u>	<u>420,356</u>
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
Community Development Block Grant	14.239	11-c-23-25	6,037	-	-
Total U.S. Department of Housing and Urban Development			<u>6,037</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other Than Urbanized Areas					
Formula Grants for Other Than Urbanized Areas	20.509	2000000353	18,178	1,136	-
Formula Grants for Other Than Urbanized Areas	20.509	2000000797	58,159	3,634	-
Formula Grants for Other Than Urbanized Areas	20.509	2000000799	83,342	10,418	-
			<u>159,679</u>	<u>15,188</u>	<u>-</u>
Highway Safety Cluster					
State and Community Highway Safety	20.600	2000000147	11,994	-	-
Total Highway Safety Cluster			<u>11,994</u>	<u>-</u>	<u>-</u>
Total U.S. Dept. of Transportation			<u>171,673</u>	<u>15,188</u>	<u>-</u>
<u>U.S. Dept. of Health & Human Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	2U90TP416979-11	39,594	-	-
Family Planning Services Title X	93.217	6FPPHA040694-40	54,830	-	-
<u>Immunization Cluster</u>					
Immunization Grants	93.268	5H23IP422554	14,963	-	-
Total Immunization Cluster			<u>14,963</u>	<u>-</u>	<u>-</u>
Prevention Investigations and Technical Assistance	93.283	5U58DP001981-03	121	-	-
Family Preservation	93.556	N/A	4,414	-	-
<u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families (TANF) /					
Work First	93.558	G1202NCTANF	811,796	-	2,322
Temporary Assistance for Needy Families (TANF)	93.558	G1202NCTANF	5,842	-	-
TANF / Work First - Direct Benefit Payments	93.558	G1202NCTANF	539,178	-	485,192
TANF / Tea Foster Care	93.558	G1202NCTANF	2,117	-	-
TANF / Work First - Administration	93.558	G1202NCTANF	102,431	-	126,711
Total TANF Cluster			<u>1,461,363</u>	<u>-</u>	<u>614,225</u>
Child Support Enforcement	93.563	1204NC4005	-	-	-
IV-D - Administration	93.563	1204NC4005	648,018	-	333,827
IV-D - Offset Fees	93.563	1204NC4005	4,203	-	2,165

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Refugee and Entrant Assistance - State Administered Program	93.566	G12AANC4110	1,180	-	-
Low-Income Home Energy Assistance: Administration	93.568	G12BNCLIEA	(104,700)	-	-
Crisis Intervention Program	93.568	G12BNCLIEA	347,326	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	G12BNCLIEA	161,300	-	-
Stephanie Tubbs Jones Child Welfare Services Program: - Permanency Planning - Families for Kids	93.645	G1201NC1400	12,824	107	3,204
Division of Social Services:					
Subsidized Child Care (Note 2)					
<u>Foster Care and Adoption Cluster:</u>					
Title IV-E Foster Care - Administration	93.658	1201NC1401	178,926	19,132	160,154
Foster Care - Direct Benefit Payments	93.658	1201NC1401	115,285	27,987	32,832
IV-E Adoption Optional Administration	93.659	1201NC1407	5,861	3,295	3,064
Adoption Assistance - Direct Benefit Payments	93.659	1201NC1407	236,980	62,488	62,488
Total Foster Care and Adoption Cluster			537,052	112,901	258,538
SSBG - Other Service and Training	93.667	G1201NCSOSR	182,854	20,923	67,925
Social Service Block Grant - (SSBG)	93.667	G1201NCSOSR	-	500	-
Independent Living Transitional Grant	93.674	G1201NC1420	1,688	-	-
Transitional Funds (LINKS)	93.674	G1201NC1420	14,179	3,545	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667	G1201NCSOSR	13,772	-	1,967
SSBG - State Adult Day Care	93.667	G1201NCSOSR	18,778	16,028	4,972
Division of Child Development:					
Subsidized Child Care (Note 2)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Fund-Administration	93.596	47013123	65,109	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575	13801810TB83	365,405	-	-
Child Care and Development Fund -- Mandatory	93.596	13801810ML83	161,398	-	-
Child Care and Development Fund -- Match	93.596	13801810VZ83	405,315	183,672	-
Total Child Care Development Fund Cluster			997,227	183,672	-
TANF	93.558	G1202NCTANF	221,495	-	-
Social Security Block Grant	93.667	G1201NCSOSR	1,627	-	-
Foster Care Title IV-E	93.658	1201NC1401	10,585	5,189	-
Smart Start		138018120083	-	1,041	-
State Appropriations		138018120083	-	20,993	-
TANF MOE		G1202NCTANF	-	57,711	-
Total Subsidized Child Care (Note 2)			1,230,934	268,606	-
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	5-1205NC5MAP	45,840,810	25,469,570	13,484
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	5-1205NC5MAP	605,524	39,172	554,095
State Children's Insurance Program - N.C. Health Choice	93.767	12715376H1	12,372	1,442	2,501
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Preventive Health and Health Services Block Grant	93.991	3B01DP009034-12	803	-	-

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant	93.994	B04MC23398	76,250	57,194	-
Total U.S. Dept. of Health and Human Services			51,180,452	25,989,988	1,856,904
Total Federal Awards			53,291,013	26,005,176	2,277,260
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
State Aid to Public Libraries		56-6000339-E	-	97,583	-
Total N.C. Dept. of Cultural Resources			-	97,583	-
<u>N.C. Dept. of Health and Human Services</u>					
Division of Aging and Adult Services					
Division of Social Services					
State/County Special Assistance for Adults - DBP		566000339	-	406,205	406,205
AFDC Incentive		566000339	-	1,221	-
CWS Adoption Subsidy & Vendor		566000339	-	167,852	30,484
DCD Smart Start		566000339	-	16,000	-
Energy Assistance Private Grants		566000339	-	3,291	-
Foster Care	N/A	566000339	29,001	-	30,477
Foster Care at Risk Maximization		566000339	-	1,688	889
Non-Allocating County Cost		566000339	-	-	67,739
SEHF Maximization		566000339	-	5,089	5,089
State Aid to Counties	N/A	566000339	10,233	-	20,267
State Foster Home		566000339	-	26,950	26,950
Total Division of Social Services			39,233	628,296	588,100
Division of Public Health					
Environmental Health		87311534751	-	4,000	-
Food and Lodging		87311534751	-	5,058	-
General Aid to Counties		11011614110	-	104,455	-
General Communicable Disease Control		51011754510	-	7,855	-
Healthy Communities		88612615503	-	237	-
Maternal Health (HMHC)		B04MC23398	-	1,966	-
Mosquito - Public Health Pesticide		87811534801	-	2,795	-
Risk Reduction / Health Promotion		81012624179	-	1,924	-
Tuberculosis		55114604551	-	13,023	-
Tuberculosis Medical Service		55114604554	-	1,399	-
Women's Health Service Fund		15113A16012	-	5,648	-
Total Division of Public Health			-	148,360	-
Total N. C. Department of Health and Human Services			39,233	776,656	588,100
Passed-through N.C. Housing Finance Agency:					
Single Family Rehabilitation		SFRPL1125	-	248,303	-
<u>NC Dept. of Public Instruction</u>					
Public School Building Capital Fund-Lottery Proceeds		LEA 830	-	476,225	-
Total N.C. Dept. of Public Instruction			-	476,225	-
<u>NC Department of Public Safety:</u>					
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		583-10939	-	210,274	-
Total NC Department of Public Safety			-	210,274	-

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	54,334	-
- ROAP Rural General Public Program		DOT-16CL	-	62,122	-
- ROAP Work First Transitional - Employment		DOT-16CL	-	22,844	-
Total ROAP			-	139,300	-
Total State Awards			39,233	1,948,341	588,100
Total Federal and State Awards			53,330,246	27,953,517	2,865,360

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

1. Basis of Presentation
The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Scotland County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.
2. The following are clustered by the N.C. Dept. of Health and Human Services and are treated separately for state audit requirement purposes:
Subsidized Child Care, Foster Care and Adoption.
3. Subrecipients
Of the federal and State expenditures presented in the schedule, Scotland County provided federal and State awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Juvenile Crime Prevention Programs		583-10939	-	210,774
Public School Building Capital Fund-Lottery Proceeds	NA	LEA 830	-	176,225

