

Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2014

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, 2014

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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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, an aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina as of and for the year ended June 30, 2014, 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 30.60 percent, 21.81 percent, and 64.96 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 9.70 percent, 10.90 percent, and 16.53 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, the Scotland County Tourism Development Authority, and the Scotland County Historic Properties Commission 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, 2014, 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.

Emphasis of Matters

Correction of Errors

As described in Note VIII to the financial statements, the County recorded adjustments to the prior period ending net position. Our opinion is not modified with respect to these matters.

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 and other auditor's 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 fund statements, budgetary schedules, other schedules, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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

December 15, 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, 2014. 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

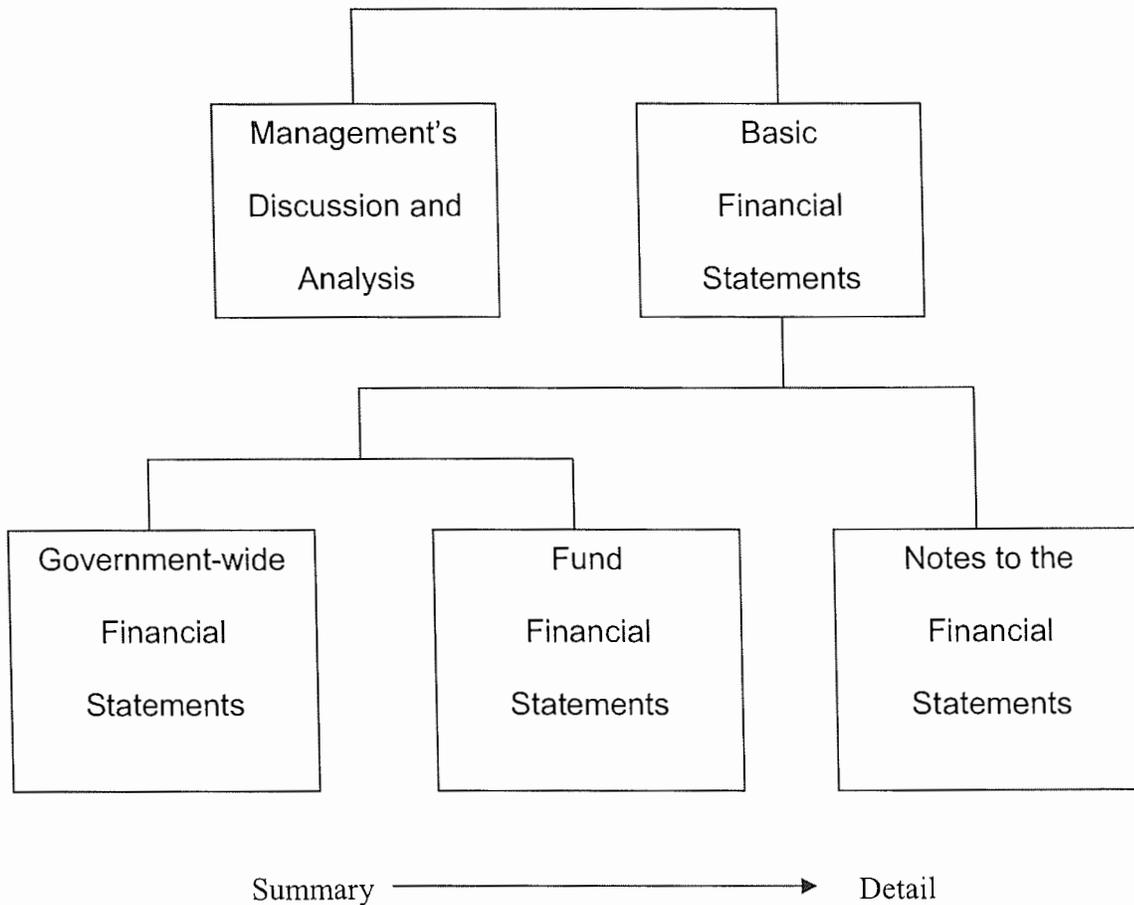
- The assets and deferred outflows of resources of Scotland County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,421,832 (*net position, exhibit 1*).
- The government's total net position increased by \$3,680,716 primarily due to increased tax collections, grant revenues and management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$11,947,265 (*exhibit 3*) an increase of \$3,199,479 in comparison with the prior year. Approximately 66.94 percent of this total amount, or \$7,997,718 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 \$7,997,718 or 21.75 percent of total General Fund expenditures for the fiscal year.
- Scotland County has an A2 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 it has changed. Net position is the difference between the total of the County's 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 water systems 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 fiduciary 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.

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 \$11,421,832 as of June 30, 2014. The County's net position increased by \$3,680,716 for the fiscal year ended June 30, 2014. One of the largest portions \$11,125,907 (97.41%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Scotland County uses these 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 \$3,806,306 (33.32%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(3,510,381) (-30.73%) is unrestricted.

Scotland County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 17,076,225	\$ 14,165,782	\$ 901,059	\$ 803,773	\$ 17,977,284	\$ 14,969,555
Capital assets	9,722,370	7,746,476	8,758,275	8,971,316	18,480,645	16,717,792
Total assets	\$ 26,798,595	\$ 21,912,258	\$ 9,659,334	\$ 9,775,089	\$ 36,457,929	\$ 31,687,347
Long-term liabilities outstanding	\$ 15,178,746	\$ 14,637,840	\$ 8,318,147	\$ 8,223,433	\$ 23,496,893	\$ 22,861,273
Other liabilities	1,235,827	923,797	123,461	77,371	1,359,288	1,001,168
Total liabilities	\$ 16,414,573	\$ 15,561,637	\$ 8,441,608	\$ 8,300,804	\$ 24,856,181	\$ 23,862,441
Total deferred inflows of resources	179,916	77,882	-	5,910	179,916	83,792
Net position:						
Net investment in capital assets	\$ 8,560,657	\$ 7,554,979	\$ 2,565,250	\$ 2,604,816	\$ 11,125,907	\$ 10,159,795
Restricted	3,806,306	2,895,398	-	-	3,806,306	2,895,398
Unrestricted	(2,162,857)	(4,177,638)	(1,347,524)	(1,136,441)	(3,510,381)	(5,314,079)
Total net position	\$ 10,204,106	\$ 6,272,739	\$ 1,217,726	\$ 1,468,375	\$ 11,421,832	\$ 7,741,114

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 93.52% and striving to improve collectability.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

SCOTLAND COUNTY'S CHANGES IN NET POSITION

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,826,902	\$ 2,599,701	\$2,543,154	\$ 2,661,224	\$ 5,370,056	\$ 5,260,925
Operating grants and contributions	8,070,053	8,274,141	-	-	8,070,053	8,274,141
Capital grants	2,209,697	254,350	-	-	2,209,697	254,350
General revenues:						
Property taxes	21,909,112	21,405,764	-	-	21,909,112	21,405,764
Local option sales tax	5,531,033	5,463,303	-	-	5,531,033	5,463,303
Other taxes	395,786	463,696	-	-	395,786	463,696
Interest investment earnings	17,483	16,951	-	-	17,483	16,951
Other	662,024	258,988	-	-	662,024	258,988
Total revenues	\$41,622,090	\$38,736,894	\$2,543,154	\$2,661,224	\$44,165,244	\$41,398,118
Expenses:						
General government	2,442,476	2,294,454	-	-	2,442,476	2,294,454
Public safety	7,500,353	7,325,487	-	-	7,500,353	7,325,487
Economic and physical development	264,183	1,108,588	-	-	264,183	1,108,588
Central services	1,673,816	1,422,152	-	-	1,673,816	1,422,152
Human services	10,991,516	11,071,679	-	-	10,991,516	11,071,679
Cultural and recreation	2,490,633	4,060,555	-	-	2,490,633	4,060,555
Other expenditures	232,803	228,274	-	-	232,803	228,274
Education	11,292,010	11,403,293	-	-	11,292,010	11,403,293
Revaluation	605,496	248,303	-	-	605,496	248,303
Interest on long-term debt	197,437	274,688	-	-	197,437	274,688
Solid waste	-	-	1,503,940	1,558,199	1,503,940	1,558,199
Water district I	-	-	663,385	630,449	663,385	630,449
Water district II	-	-	626,480	615,016	626,480	615,016
Total expenses	\$37,690,723	\$39,437,473	\$2,793,805	\$2,803,664	40,484,528	\$42,241,137
Increase (decrease) in net position before transfers	3,931,367	(700,579)	(250,651)	(142,440)	3,680,716	(843,019)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	3,931,367	(700,579)	(250,651)	(142,440)	3,680,716	(843,019)
Net position beginning	6,272,739	6,973,318	1,468,377	1,610,817	7,741,116	8,584,135
Net position ending	<u>\$10,204,106</u>	<u>\$6,272,739</u>	<u>\$1,217,726</u>	<u>\$1,468,377</u>	<u>\$11,421,832</u>	<u>\$7,741,116</u>

Governmental activities. Governmental activities increased the County's net position by \$3,931,367. The increase was due to increased tax collections and grant revenues.

Business-type activities: Business-type activities decreased Scotland County's net position by \$250,651. The Proprietary Funds had a decrease in net position primarily due to depreciation and lack of revenues in the Water District I, Water District II and the landfill. Other post employment benefit accruals and interest payments 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 \$7,997,717, while total fund balance reached \$10,435,240. 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 21.71% of general fund expenditures, while total fund balance represents 28.38% of that same amount.

At June 30, 2014, the governmental funds of Scotland County reported a combined fund balance of \$11,947,265 a 36.57 percent increase over last year. The primary reason for the increase is increase in grant and tax revenues 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 decreased budgeted revenues by \$228,496.

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 \$(2,265,445) and those for the Water District I Fund equaled \$1,056,279, and those for the Water District II Fund equaled \$(138,358). The total change in net position for these funds was \$(167,209), \$(17,078) and \$(66,364), 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, 2014 totals \$18,480,645 (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.
- Purchase of energy saving equipment for County buildings.
- Purchase of maintenance equipment for the landfill.

SCOTLAND COUNTY'S CAPITAL ASSETS
(net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 282,903	\$ 1,352,082	\$ 314,334	\$ 314,334	\$ 597,237	\$ 1,666,416
Buildings and system	5,788,497	4,989,171	8,129,308	8,416,603	13,917,805	13,405,774
Machinery and equipment	304,481	367,963	304,741	217,954	609,222	585,917
Vehicles and motorized equipment	988,202	888,670	9,893	22,427	998,095	911,097
Construction in progress	<u>2,358,287</u>	<u>148,590</u>	<u>-</u>	<u>-</u>	<u>2,358,287</u>	<u>148,590</u>
Total	<u>\$ 9,722,370</u>	<u>\$ 7,746,476</u>	<u>\$8,758,276</u>	<u>\$8,971,318</u>	<u>\$ 18,480,646</u>	<u>\$ 16,717,794</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, 2014 Scotland County had total bonded debt outstanding of \$11,844,500 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 5,602,000	\$ 6,633,000	\$6,242,500	\$ 6,366,500	\$ 11,844,500	\$12,999,500
Installment purchases	3,261,713	2,591,497	134,361	-	3,396,074	2,591,497
Total	<u>\$ 8,863,713</u>	<u>\$ 9,224,497</u>	<u>\$6,376,861</u>	<u>\$ 6,366,500</u>	<u>\$ 15,240,574</u>	<u>\$ 15,590,997</u>

Scotland County's total debt decreased by \$350,423 during the past fiscal year, due to payments on debt.

Currently, Scotland County has an A2 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 \$155,766,626.

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 12.7% is higher than the state average of 6.9% as of July 2014. However, this is a reduction from last year's unemployment rates of 16.1% for the County and 9.1% for the state.
- The County has completed construction of a new 911 center. The Center 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 2014, the County announced a plant expansion for Cascade. This expansion is expected to add \$60 million of investment and 122 jobs.
- In January 2014, FCC of NC announced a \$70 million investment in its Scotland County facilities. This investment also provided 200 jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities: Property taxes are expected to remain at \$1.03 per \$100 valuation. The County changed the Fire Service tax to \$0.05 per \$100 valuation. The County will use this increase in revenue to fund the replacement of fire equipment over the next 11 years.

Budgeted expenditures in the General Fund are expected to rise approximately 3.0% to \$38,581,088. This represents an increase in employee compensation, including funding compensation and benefits adjustments and an increase in school funding.

Business-type Activities: The County is currently reviewing potential new revenue sources for landfill operations to meet operating and capital costs.

The County will review water rates to create positive growth in net position and to meet capital needs over the next ten years.

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 may 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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Scotland County, North Carolina
Statement of Net Position
 June 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland Co. Historic Properties Commission	Scotland Co. Tourism Development Authority
ASSETS						
Cash and cash equivalents	9,375,779	954,602	10,330,381	138,817	49,416	121,390
Inventory	-	-	-	186,986	-	-
Receivables (net):						
Taxes	3,899,718	-	3,899,718	-	-	-
Accounts	846,557	190,529	1,037,086	-	-	-
Due from other governments	1,183,992	131,502	1,315,494	-	-	-
Due (to) from other funds	375,574	(375,574)	-	-	-	-
Prepaid expenses	5,207	-	5,207	2,163	-	-
Restricted cash	1,389,398	-	1,389,398	-	32,404	-
Capital assets:						
Land, improvements and construction in progress	2,641,190	314,334	2,955,524	-	291,053	-
Other capital assets, net of depreciation	7,081,180	8,443,941	15,525,121	54,218	372,501	-
Total capital assets	9,722,370	8,758,275	18,480,645	54,218	663,554	-
Total assets	26,798,595	9,659,334	36,457,929	382,184	745,374	121,390
LIABILITIES						
Accounts payable and accrued liabilities	1,235,827	123,461	1,359,288	140,520	-	400
Long-term liabilities:						
Due within one year	1,346,820	195,976	1,542,796	-	-	-
Due in more than one year	13,831,926	8,122,171	21,954,097	-	-	-
Total long-term liabilities	15,178,746	8,318,147	23,496,893	-	-	-
Total liabilities	16,414,573	8,441,608	24,856,181	140,520	-	400
DEFERRED INFLOWS OF RESOURCES						
Prepaid taxes	57,386	-	57,386	-	-	-
Government grants	122,530	-	122,530	-	-	-
NET POSITION						
Net investment in capital assets	8,560,657	2,565,250	11,125,907	54,218	663,554	-
Restricted for:						
Fire protection	827,635	-	827,635	-	-	-
Emergency telephone	492,043	-	492,043	-	-	-
Rehabilitation	10,167	-	10,167	-	-	-
Cultural and recreation	12,410	-	12,410	-	32,404	-
Stabilization by State statute	2,464,051	-	2,464,051	-	-	-
Working capital	-	-	-	51,190	-	-
Unrestricted	(2,162,857)	(1,347,524)	(3,510,381)	136,256	49,416	120,990
Total net position	10,204,106	1,217,726	11,421,832	241,664	745,374	120,990

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission	Scotland County Tourism Development Authority	
Primary government:											
Governmental activities:											
General government	2,442,476	372,287	-	-	(2,070,189)	-	(2,070,189)	-	-	-	-
Public safety	7,500,353	1,567,407	-	-	(5,932,946)	-	(5,932,946)	-	-	-	-
Economic and physical development	264,183	78,442	609,626	-	423,885	-	423,885	-	-	-	-
Central service	1,673,816	-	-	2,209,697	535,881	-	535,881	-	-	-	-
Human services	11,224,319	62,496	7,460,427	-	(3,701,396)	-	(3,701,396)	-	-	-	-
Cultural and recreational	2,490,633	131,170	-	-	(2,359,463)	-	(2,359,463)	-	-	-	-
Intergovernmental:											
Education	11,292,010	615,100	-	-	(10,676,910)	-	(10,676,910)	-	-	-	-
Revaluation	605,496	-	-	-	(605,496)	-	(605,496)	-	-	-	-
Interest on long-term debt	197,437	-	-	-	(197,437)	-	(197,437)	-	-	-	-
Total governmental activities	37,690,723	2,826,902	8,070,053	2,209,697	(24,584,071)	-	(24,584,071)	-	-	-	-
Business-type activities:											
Public Works	1,503,940	1,336,731	-	-	-	(167,209)	(167,209)	-	-	-	-
Water District Phase I	663,385	646,307	-	-	-	(17,078)	(17,078)	-	-	-	-
Water District Phase II	626,480	560,116	-	-	-	(66,364)	(66,364)	-	-	-	-
	2,793,805	2,543,154	-	-	-	(250,651)	(250,651)	-	-	-	-
Component units:											
ABC Board	1,331,460	1,330,949	-	-	-	-	-	(511)	-	-	-
Historic Properties	54,652	-	19,800	83,958	-	-	-	-	49,106	-	-
Scotland County Tourism Development	312,217	-	-	-	-	-	-	-	-	-	(312,217)
Total component units	1,698,329	1,330,949	19,800	83,958	-	-	-	(511)	49,106	-	(312,217)

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, 2014

	Net (Expense) Revenue and Changes in Net Position					
	Primary Government			Component Units		
	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	21,909,112	-	21,909,112	-	-	-
Local option sales tax	5,531,033	-	5,531,033	-	-	-
Other taxes and licenses	395,786	-	395,786	-	-	338,735
Investment earnings, unrestricted	17,483	-	17,483	31	-	-
Repossessed land	244,153	-	244,153	-	-	-
Miscellaneous, unrestricted	417,871	-	417,871	480	12,737	-
Total general revenues, special items, and transfers	<u>28,515,438</u>	<u>-</u>	<u>28,515,438</u>	<u>511</u>	<u>12,737</u>	<u>338,735</u>
Change in net position	3,931,367	(250,651)	3,680,716	-	61,843	26,518
Net position-beginning as previously reported	5,580,559	1,377,851	6,958,410	241,664	683,531	38,462
Prior period adjustment (see note VIII)	692,180	90,526	782,706	-	-	56,010
Net position, as restated	<u>6,272,739</u>	<u>1,468,377</u>	<u>7,741,116</u>	<u>241,664</u>	<u>683,531</u>	<u>94,472</u>
Net position-ending	<u>10,204,106</u>	<u>1,217,726</u>	<u>11,421,832</u>	<u>241,664</u>	<u>745,374</u>	<u>120,990</u>

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

Scotland County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2014

	Major	Non-Major	
	General	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	9,237,745	138,034	9,375,779
Restricted cash	-	1,389,398	1,389,398
Receivables (net)			
Taxes	3,899,718	-	3,899,718
Accounts	846,557	-	846,557
Prepaid expense	3,228	1,979	5,207
Due from other governments	1,025,664	158,328	1,183,992
Due from other funds	375,574	-	375,574
Total assets	<u>15,388,486</u>	<u>1,687,739</u>	<u>17,076,225</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	<u>1,182,642</u>	<u>53,185</u>	<u>1,235,827</u>
Total liabilities	<u>1,182,642</u>	<u>53,185</u>	<u>1,235,827</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	3,713,217	-	3,713,217
Prepaid taxes	57,386	-	57,386
Grant revenues	-	122,530	122,530
Total deferred inflows of resources	<u>3,770,603</u>	<u>122,530</u>	<u>3,893,133</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	3,228	1,979	5,207
Restricted:			
Stabilization by State statute	2,434,295	29,756	2,464,051
Fire protection	-	827,635	827,635
Emergency telephone	-	492,043	492,043
Rehabilitation	-	10,167	10,167
Library services	-	12,410	12,410
Committed:			
Tax revaluation	-	138,034	138,034
Unassigned:			
Total fund balances	<u>10,435,240</u>	<u>1,512,024</u>	<u>11,947,265</u>
Total liabilities, deferred inflows of resources and fund balances	<u>15,388,485</u>	<u>1,687,739</u>	

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

Total fund balance, governmental funds	11,947,265
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,722,370
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.	3,713,217
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>(15,178,746)</u>
Net position of governmental activities	<u>10,204,106</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, 2014

	Major	Non-Major	
	General Fund	Other Governmental Funds	Total
REVENUES			
Ad valorem taxes	22,369,318	242,894	22,612,212
Local option sales taxes	5,438,304	92,729	5,531,033
Other taxes and licenses	61,348	252,647	313,995
Unrestricted intergovernmental	160,233	-	160,233
Restricted intergovernmental	8,011,921	-	8,011,921
Permits and fees	372,287	-	372,287
Sales and services	1,450,382	-	1,450,382
Investment earnings	11,769	5,714	17,483
Fines, forfeitures	229,290	-	229,290
Grants	-	2,819,323	2,819,323
Miscellaneous	544,379	-	544,379
Total revenues	<u>38,649,231</u>	<u>3,413,307</u>	<u>42,062,538</u>
EXPENDITURES			
Current:			
General government	2,038,942	-	2,038,942
Public safety	6,758,623	446,099	7,204,722
Economic & physical development	264,183	-	264,183
Central service	2,512,318	-	2,512,318
Human services	10,896,807	-	10,896,807
Cultural and recreational	1,047,860	-	1,047,860
Intergovernmental:			
Education	11,292,010	-	11,292,010
Other expenditures	232,803	-	232,803
Rehabilitation	-	605,496	605,496
Capital outlay	-	2,209,697	2,209,697
Debt service:			
Principal retirement	1,522,497	-	1,522,497
Interest	197,437	-	197,437
Total expenditures	<u>36,763,480</u>	<u>3,261,292</u>	<u>40,024,772</u>
Excess of revenues over expenditures	1,885,751	152,015	2,037,766
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds	(75,000)	-	(75,000)
Transfers from other funds	-	75,000	75,000
Total other financing sources (uses)	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
Proceeds from installment financing	1,161,713	-	1,161,713
Total other financing sources	1,086,713	75,000	1,161,713
Net change in fund balance	2,972,464	227,015	3,199,479
Fund balances - beginning as previously reported	6,770,596	1,285,009	8,055,605
Prior period adjustment (See Note VIII)	692,180	-	692,180
Fund balances - beginning as restated	<u>7,462,776</u>	<u>1,285,009</u>	<u>8,747,785</u>
Fund balances - ending	<u>10,435,240</u>	<u>1,512,024</u>	<u>11,947,264</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, 2014

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

Net changes in fund balances - total governmental funds		3,199,479
<p>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.</p>		
Capital outlay expenditures which were capitalized	3,581,164	
Depreciation expense for governmental assets	<u>(554,589)</u>	3,026,575
Cost of capital asset disposed of during the year, not recognized on modified accrual basis		18,498
Transfer of land to local board of education		(1,313,332)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Amount of repossessed land	244,153	
Changes in unavailable revenue for tax revenues	<u>(703,100)</u>	(458,947)
<p>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 net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(1,161,713)	
Principle payments on long-term debt	<u>1,522,497</u>	360,784
<p>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.</p>		
Compensated absences	27,172	
Net pension obligation	(18,103)	
Other postemployment benefits	<u>(910,759)</u>	<u>(901,690)</u>
Total changes in net position of governmental activities		<u>\$ 3,931,367</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, 2014

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	20,651,417	20,928,417	22,369,318	1,440,901
Local option sales taxes	5,429,733	5,429,733	5,438,304	8,571
Other taxes and licenses	90,000	90,000	61,348	(28,652)
Unrestricted intergovernmental	90,000	90,000	160,233	70,233
Restricted intergovernmental	9,082,480	8,437,458	8,011,921	(425,537)
Permits and fees	308,265	304,765	372,287	67,522
Sales and services	1,189,541	1,235,445	1,450,382	214,937
Investment earnings	23,500	10,950	11,769	819
Fines, forfeitures	275,000	275,000	229,290	(45,710)
Miscellaneous	298,550	408,222	544,379	136,157
Total revenues	37,438,486	37,209,990	38,649,231	1,439,241
Expenditures:				
Current:				
General government	4,123,240	2,202,941	2,038,942	163,999
Public safety	6,451,002	7,099,091	6,758,623	340,468
Economic and physical development	76,460	320,485	264,183	56,302
Central services	-	2,785,022	2,512,318	272,704
Human services	11,779,912	12,147,734	10,896,807	1,250,927
Cultural and recreational	1,137,093	1,139,002	1,047,860	91,142
Other expenditures	1,145,480	-	232,803	(232,803)
Intergovernmental:				
Education	12,654,101	11,388,720	11,292,010	96,710
Debt service:				
Principal retirement	56,010	1,522,497	1,522,497	-
Interest	1,188	212,965	197,437	15,528
Total expenditures	37,424,486	38,818,457	36,763,480	2,054,977
Excess of revenues over (under) expenditures	14,000	(1,608,467)	1,885,751	3,494,218
Other financing sources (uses):				
Transfers (to) other funds	(14,000)	(89,000)	(75,000)	14,000
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	(14,000)	(89,000)	(75,000)	3,508,218
Proceeds from installment financing	-	1,161,713	1,161,713	-
Total other financing sources	(14,000)	1,072,713	1,086,713	3,508,218
Appropriated fund balance	-	535,754	-	535,754
Net change in fund balance	-	-	2,972,464	2,972,464
Fund balances - beginning as previously reported			6,770,596	
Prior period adjustment (See Note VIII)			692,180	
Fund balances - beginning as restated			7,462,776	
Fund balances - ending			10,435,240	

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, 2014

	Enterprise Funds			
	Blended Component Units			
	Public Works Fund	Water District I Fund	Water District II Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	475	954,127	-	954,602
Accounts receivable, net	98,613	55,755	36,161	190,529
Due from other governments	44,474	54,378	32,650	131,502
Due (to) from other funds	-	22,929	(22,929)	-
Total current assets	<u>143,562</u>	<u>1,087,189</u>	<u>45,882</u>	<u>1,276,633</u>
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	314,334	-	-	314,334
Other capital assets, net of depreciation	349,241	2,521,810	5,572,890	8,443,941
Total capital assets	<u>663,575</u>	<u>2,521,810</u>	<u>5,572,890</u>	<u>8,758,275</u>
Total assets	<u>807,137</u>	<u>3,608,999</u>	<u>5,618,772</u>	<u>10,034,908</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	95,526	27,431	504	123,461
Installment financing	66,476	-	-	66,476
General obligation bonds payable	-	44,500	85,000	129,500
Due to other funds	375,574	-	-	375,574
Total current liabilities	<u>537,576</u>	<u>71,931</u>	<u>85,504</u>	<u>695,011</u>
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,734,406	-	-	1,734,406
Other post employment benefits	172,488	-	-	172,488
Compensated absences payable	30,913	3,479	-	34,392
Installment financing	67,885	-	-	67,885
General obligation bonds payable	-	1,624,500	4,488,500	6,113,000
Total noncurrent liabilities	<u>2,005,692</u>	<u>1,627,979</u>	<u>4,488,500</u>	<u>8,122,171</u>
Total liabilities	<u>2,543,268</u>	<u>1,699,910</u>	<u>4,574,004</u>	<u>8,817,182</u>
DEFERRED INFLOWS OF RESOURCES				
None	-	-	-	-
NET POSITION				
Net investment in capital assets	529,314	852,810	1,183,126	2,565,250
Unrestricted	<u>(2,265,445)</u>	<u>1,056,279</u>	<u>(138,358)</u>	<u>(1,347,524)</u>
Total net position	<u>(1,736,131)</u>	<u>1,909,089</u>	<u>1,044,768</u>	<u>1,217,726</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, 2014

	Enterprise Funds			Total
	<u>Blended Component Units</u>			
	Public Works Fund	Water District I Fund	Water District II Fund	
Operating revenues:				
Charges for services	1,133,039	646,307	560,116	2,339,462
Other operating revenues	<u>203,692</u>	<u>-</u>	<u>-</u>	<u>203,692</u>
Total operating revenues	1,336,731	646,307	560,116	2,543,154
Operating expenses:				
Water purchases	-	288,406	128,987	417,393
Water operations	-	177,519	115,919	293,438
Landfill operations	1,390,333	-	-	1,390,333
Landfill closure and postclosure care costs	48,222	-	-	48,222
Depreciation	<u>65,385</u>	<u>114,024</u>	<u>183,736</u>	<u>363,145</u>
Total operating expenses	1,503,940	579,949	428,642	2,512,531
Operating income (loss)	(167,209)	66,358	131,474	30,623
Nonoperating (expenses):				
Interest	<u>-</u>	<u>(83,436)</u>	<u>(197,838)</u>	<u>(281,274)</u>
Total nonoperating (expenses)	-	(83,436)	(197,838)	(281,274)
Change in net position	(167,209)	(17,078)	(66,364)	(250,651)
Total net position - beginning as previously reported	(1,568,922)	1,877,120	1,069,653	1,377,851
Prior period adjustment (See Note VIII)	<u>-</u>	<u>49,047</u>	<u>41,479</u>	<u>90,526</u>
Net position - beginning as restated	<u>(1,568,922)</u>	<u>1,926,167</u>	<u>1,111,132</u>	<u>1,468,377</u>
Net position - ending	<u>(1,736,131)</u>	<u>1,909,089</u>	<u>1,044,768</u>	<u>1,217,726</u>

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

Scotland County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities Enterprise Funds			Totals
	Public Works Fund	Water District I Fund	Water District II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	1,292,404	647,972	582,907	2,523,283
Cash paid for goods and services	(887,028)	(417,152)	(244,635)	(1,548,815)
Cash paid to or on behalf of employees for services	(432,187)	(42,472)	-	(474,659)
Net cash provided by (used in) operating activities	(26,811)	188,348	338,272	499,809
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in due to (from) other funds	34,265	58,934	(58,934)	34,265
Total cash flows provided by (used in) financing activities	34,265	58,934	(58,934)	34,265
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Installment financing notes issued	134,361	-	-	134,361
Acquisition or capital assets	(141,510)	(8,592)	-	(150,102)
Interest paid on bond maturities and equipment contracts	-	(83,436)	(197,838)	(281,274)
Principal paid on bond maturities and equipment contracts	-	(42,500)	(81,500)	(124,000)
Net cash (used in) capital and related financing activities	(7,149)	(134,528)	(279,338)	(421,015)
Net increase in cash and cash equivalents	305	112,754	-	113,059
Balances - beginning of the year	170	841,373	-	841,543
Balances - end of the year	475	954,127	-	954,602

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

Scotland County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities			Totals
	Enterprise Funds			
	Public Works Fund	Water District I Fund	Water District II Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	(167,209)	66,358	131,474	30,623
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	65,385	114,024	183,736	363,145
Provision for uncollectible accounts	2,114	2,913	(2,358)	2,669
Landfill closure and postclosure care costs	48,222	-	-	48,222
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable	(45,064)	(1,247)	25,150	(21,161)
Increase in accounts payable and accrued liabilities	34,455	5,454	270	40,179
Increase in accrued vacation pay	5,553	846	-	6,399
Increase in OPEB payable	29,733	-	-	29,733
Total adjustment	140,398	121,990	206,798	469,186
Net cash provided by (used in) operating activities	<u>(26,811)</u>	<u>188,348</u>	<u>338,272</u>	<u>499,809</u>

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

Scotland County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2014

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>280,572</u>
Liabilities	
Miscellaneous liabilities	<u>280,572</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, 2014

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 I Fund and Scotland County Water District II Fund (the *District*) exists to provide and maintain water systems for the County residents within the districts. 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 District.	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 District.	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 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 Municipal Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County; for various municipalities and special districts within the County but that are not revenues to the County; and the Register of Deeds Fund, which accounts for fees collected for deed services; and is remitted to the State treasurer on a monthly basis.

Nonmajor Funds. The County maintains seven 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 911 Building Project Fund is reported as a capital project fund.

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 water 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 revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, 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, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in 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 general revenues.

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. The Enterprise Capital Projects Funds 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 project 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, the 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, the 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 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.

Scotland County Restricted Cash

Governmental Activities:	
Library Services Fund	\$ 12,410
Fire Service District Fund	827,635
Emergency Telephone Fund	492,199
North Carolina Housing Finance	4,130
CDBG	6,037
911 Capital Project Fund	46,987
	<u>\$1,389,398</u>

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 (lien 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, 2013. 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 cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that 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 meet 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 and Rehabilitation - portion of fund balance that is restricted by revenue source for fire protection, library and rehabilitation services.

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 \$(1,743,159) consists of several elements as follows:

Fixed assets	\$ 19,370,873
Less accumulated depreciation	<u>(9,648,503)</u>
Net capital assets	\$ 9,722,370
Liabilities for revenue deferred inflows of resources reported in the fund statements but not the government-wide	3,713,217
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	(8,863,713)
Compensated absences	(838,814)
Net pension obligation	(83,282)
Other post-employment benefits	<u>(5,392,937)</u>
	(15,178,746)
Total adjustment	<u>\$ (1,743,159)</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 \$731,888 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities.	\$ 3,581,164
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.	(554,589)
Cost of capital asset disposed of during the year, not recognized on modified actual.	18,498
Transfer of Land to Board of Education.	(1,313,332)
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.	(1,161,713)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affects only the Statement of Net Position in the government-wide statements.	1,522,497
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	27,172
Other postemployment benefits	(910,759)
Net pension obligation	(18,103)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	
Repossessed land	244,153
Decrease in deferred inflows of resources - taxes receivable - at year end	(703,100)
Total adjustment	<u>\$ 731,888</u>

II. Stewardship, Compliance, and Accountability

A. Deficit in Net Position - Noncompliance with North Carolina General Statutes

The Public Works Fund has negative Net Position as of June 30, 2014 in the amount of \$(1,736,131). A corrective action plan has been outlined in the compliance section of this report. (See significant deficiency 2014-1 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, 2014, the County's deposits had a carrying amount of \$2,006,585 and a bank balance of \$2,601,631. Of the bank balance \$346,276 was covered by federal depository insurance, and \$1,565,534 in non-interest bearing deposits and \$689,821 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2014, Scotland County had \$3,405 cash on hand.

At June 30, 2014, the carrying amount of deposits for Scotland County ABC Board was \$136,631 and the bank balance was \$154,698. All of the bank balance was covered by federal depository insurance.

At June 30, 2014, the carrying amount of deposits for Scotland County Historic Properties Commission was \$81,820 and the bank balance was \$82,570. All of the bank balance was covered by federal depository insurance.

At June 30, 2014, the carrying amount of deposits for Scotland County Tourism Development Authority was \$94,472 and the bank balance was \$94,472. 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, 2014, the County's investments consisted of \$9,990,361 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.

Year Levied	Tax	Interest	Total
2011	668,690	38,450	707,140
2012	748,441	43,035	791,476
2013	807,023	46,404	853,427
2014	<u>816,694</u>	<u>46,960</u>	<u>863,654</u>
Totals	<u>3,040,848</u>	<u>174,849</u>	<u>3,215,697</u>

4. Receivables

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

	Accounts	Taxes and Related Accrued Interest	Due from other Governments	Total
Governmental activities:				
General	\$ 846,557	\$ 4,104,966	\$ 1,025,664	\$ 5,977,187
Other governmental	-	-	158,328	158,328
Total receivables	846,557	4,104,966	1,183,992	6,135,515
Allowance for doubtful accounts	-	(205,248)	-	\$ (205,248)
Total - governmental activities	<u>\$ 846,557</u>	<u>\$ 3,899,718</u>	<u>\$ 1,183,992</u>	<u>\$ 5,930,267</u>
Business-type activities:				
Public works	\$ 111,533	\$ 17,052	\$ 44,474	\$ 173,059
Water district I	62,646	-	54,378	\$ 117,024
Water district II	40,630	-	32,650	\$ 73,280
Total receivables	214,809	17,052	131,502	\$ 363,363
Allowance for doubtful accounts	(24,280)	-	-	\$ (24,280)
Total - business-type activities	<u>\$ 190,529</u>	<u>\$ 17,052</u>	<u>\$ 131,502</u>	<u>\$ 339,083</u>

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

Local option sales tax/sales tax refunds	\$ 1,025,664
Due from local government/City of Laurinburg	\$ 87,028
Due from grantors	\$ 202,802
	<u>\$ 1,315,494</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,352,082	\$ 244,153	\$ 1,313,332	\$ 282,903
Construction in progress	148,590	2,209,697	-	\$ 2,358,287
Total capital assets not being depreciated	1,500,672	2,453,850	1,313,332	\$ 2,641,190
Capital assets being depreciated:				
Buildings & improvements	9,552,262	1,107,617	94,939	\$ 10,564,940
Equipment	1,837,844	110,760	84,120	\$ 1,864,484
Vehicles and motor equipment	4,468,772	153,090	321,603	\$ 4,300,259
Total capital assets being depreciated	15,858,878	1,371,467	500,662	\$ 16,729,683
Less accumulated depreciation for:				
Buildings & improvements	4,563,091	241,032	27,680	\$ 4,776,443
Equipment	1,469,881	100,149	10,027	\$ 1,560,003
Vehicles and motor equipment	3,580,102	213,408	481,453	\$ 3,312,057
Total accumulated depreciation	\$ 9,613,074	\$ 554,589	\$ 519,160	\$ 9,648,503
Total capital assets being depreciated, net	6,245,804			\$ 7,081,180
Governmental activity capital assets, net	<u>\$ 7,746,476</u>			<u>\$ 9,722,370</u>

Primary Government

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

General government	\$ 227,607
Public safety	187,727
Central service	67,058
Human services	72,197
Total depreciation expense	<u>\$ 554,589</u>

	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	15,550	-	\$ 260,366
Furniture and maintenance equipment	2,086,307	125,960	128,369	\$ 2,083,898
Vehicles	404,903	-	21,676	\$ 383,227
Total capital assets being depreciated	\$ 3,603,213	141,510	150,045	\$ 3,594,678
Less accumulated depreciation for:				
Buildings	834,452	5,666	-	\$ 840,118
Improvements	244,816	207	-	\$ 245,023
Furniture and maintenance equipment	1,868,353	46,977	128,369	\$ 1,786,961
Vehicles	382,476	12,534	21,676	\$ 373,334
Total accumulated depreciation	\$ 3,330,097	\$ 65,384	\$ 150,045	\$ 3,245,436
Total capital assets being depreciated, net	\$ 273,116			\$ 349,241
Landfill capital assets, net	\$ 587,450			\$ 663,575
Scotland County Water District I				
Capital assets being depreciated:				
Plant and distribution systems	4,529,450	-	-	\$ 4,529,450
Furniture and maintenance equipment	-	8,592	-	\$ 8,592
Total capital assets being depreciated	\$ 4,529,450	8,592	-	\$ 4,538,042
Less accumulated depreciation for:				
Plant and distribution systems	1,902,208	113,236	-	\$ 2,015,444
Furniture and maintenance equipment	-	788	-	\$ 788
Total accumulated depreciation	\$ 1,902,208	\$ 114,024	\$ -	\$ 2,016,232
Total capital assets being depreciated, net	\$ 2,627,242			\$ 2,521,810
Scotland County Water District I capital assets, net	\$ 2,627,242			\$ 2,521,810
Scotland County Water District II				
Capital assets being depreciated:				
Plant and distribution systems	7,349,440	-	-	\$ 7,349,440
Total capital assets being depreciated	\$ 7,349,440	-	-	\$ 7,349,440
Less accumulated depreciation for:				
Plant and distribution systems	1,592,814	183,736	-	\$ 1,776,550
Total accumulated depreciation	\$ 1,592,814	\$ 183,736	\$ -	\$ 1,776,550
Total capital assets being depreciated, net	\$ 5,756,626			\$ 5,572,890
Scotland County Water District II capital assets, net	\$ 5,756,626			\$ 5,572,890
Business-type activities capital assets, net	\$ 8,971,318			\$ 8,758,276

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2014, 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	<u>259,495</u>	<u>-</u>	<u>-</u>	<u>259,495</u>
Total accumulated depreciation	<u>216,265</u>	<u>8,013</u>	<u>-</u>	<u>224,278</u>
ABC capital assets, net	<u>\$ 62,230</u>			<u>\$ 54,217</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 195,000	\$ 20,000	\$ -	\$ 215,000
Construction in progress	2,558	-	2,558	-
Artifacts	-	5,000	-	5,000
Historic buildings	<u>21,053</u>	<u>50,000</u>	<u>-</u>	<u>71,053</u>
Total capital assets not being depreciated	218,611	75,000	2,558	291,053
Capital assets being depreciated:				
Buildings	460,159	-	-	460,159
Furniture and equipment	<u>228,692</u>	<u>5,059</u>	<u>-</u>	<u>233,751</u>
Total capital assets being depreciated	688,851	5,059	-	693,910
Less accumulated depreciation				
Buildings	183,683	15,134	-	198,817
Equipment	<u>113,264</u>	<u>9,328</u>	<u>-</u>	<u>122,592</u>
Total accumulated depreciation	<u>296,947</u>	<u>24,462</u>	<u>-</u>	<u>321,409</u>
Commission capital assets, net	<u>\$ 610,515</u>			<u>\$ 663,554</u>

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, 2014 were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental activities:				
General	530,594	652,048	-	1,182,642
Other governmental	<u>53,185</u>	<u>-</u>	<u>-</u>	<u>53,185</u>
Total - governmental activities	<u>583,779</u>	<u>652,048</u>	<u>-</u>	<u>1,235,827</u>
Business-type activities:				
Public works	45,392	50,134	-	95,526
Water and sewer districts	<u>22,583</u>	<u>5,353</u>	<u>-</u>	<u>27,936</u>
Total - business-type activities	<u>67,975</u>	<u>55,487</u>	<u>-</u>	<u>123,462</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 (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS 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 LGERS. 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 7.07% and 7.28%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 7.07% 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 LGERS for the years ended June 30, 2014, 2013 and 2012 were \$700,967, \$662,846, and \$699,811, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$24,722, \$28,609 and \$28,784, 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, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>36</u>
Total	<u>41</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 \$47,817, or 3.77% 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, 2013 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, 2013 was 18 years.

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	62,660	77.49%	47,321
2013	60,893	70.68%	65,179
2014	65,920	72.54%	83,282

4. Funded Status and Funding Progress

As of December 31, 2013 the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$673,650 the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$673,650. The covered payroll (annual payroll of active employees covered by the plan) was \$1,268,308, 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, 2014 were \$120,496, which consisted of \$65,218 from the County and \$55,278 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 are enrolled in the Local Governmental Employees' Retirement System are eligible to participate in the Plan. For the year ended June 30, 2014, 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, 2014 were \$320,426, which consisted of \$138,092 from the County and \$182,334 from the employees. The County's contributions and the employees' voluntary contributions represented 1.68 percent and 2.22 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. For the year ended June 30, 2014, no match was authorized by the governing body of the County for employees' compensation to the Plan. Employees may make voluntary contributions to the Plan up to 0.17% of their salaries. Total employee contributions for the year ended June 30, 2014 was \$18,137.

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, 2014, the County's required and actual contributions were \$2,498.

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 or Medicare.

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. Employees who retire with at least 15 consecutive years of service will be fully covered by the County's group health and life plan at the level of coverage at the time of retirement.

Membership of the HCB Plan consisted of the following at June 30, 2014, the date of the latest actuarial valuation:

Active Members	
Law enforcement officers	35
General employees	246
Retired members	<u>121</u>
Total	<u>402</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 \$460.82 for EE/Spouse coverage, \$270.25 for EE/Child(ren) coverage, and \$784.81 for family 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 15.21% of annual covered payroll. For the current year, the County contributed \$629,918 or 6.74% 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 3.12% and 23.59% of covered payroll, respectively. There were no contributions made by employees, except for dependent coverage in the amount of \$163,870. 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	1,562,142
Interest on net OPEB obligation	184,997
Adjustment to annual required contribution	<u>170,730</u>
Annual OPEB cost (expense)	1,570,409
Contributions made	(629,918)
Increase in net OPEB obligation	940,491
Net OPEB obligation, beginning of year	<u>4,624,933</u>
Net OPEB obligation, end of year	<u>5,565,424</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2014 were as follows:

3 Year Trend Information

For Year End June 30,	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
2012	1,330,407	35.57%	3,740,216
2013	1,523,329	41.92%	4,624,933
2014	1,570,409	40.10%	5,565,424

Funded Status and Funding Progress. As of December 31, 2013, 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 \$20,745,367. The covered payroll (annual payroll of active employees covered by the plan) was \$9,344,802, and the ratio of the UAAL to the covered payroll was 222 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, 2013 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 7.75 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, 2013 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. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. 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. The County considers these contributions to be immaterial.

For the fiscal year ended June 30, 2014, the County made contributions to the State for death benefits of \$-0-. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0% and 0% of covered payroll, respectively.

Due to a surplus in the death benefit, a decision was made by the State to temporarily stop employer contributions to the LGERS Death Benefit Plan beginning July 1, 2012. A temporary relief period based on the number of years the employer has contributed as of December 31, 2010 was established as follows:

<u>No. Years Contributing</u>	<u>Years Relief</u>	<u>FY Contributions Resume</u>
Less than 10	1	2014
10-20	2	2015
20 or more	3	2016

The period of reprieve is determined separately for law enforcement officers. Scotland County will have a three year reprieve because it has been contributing for more than 20 years. Contributions will resume in the fiscal year beginning July 1, 2015.

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 \$1,734,406 reported as landfill closure and postclosure care liability at June 30, 2014 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 \$1,253,777 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 2014. 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 27 years, environmental expenditures to insure the landfill is in compliance with environmental regulations are broadly estimated to be \$643,500. 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)	57,386	-
Taxes receivable, net (General)	3,713,217	-
Grant advance (Capital Project)	-	<u>122,530</u>
Total	<u>3,770,603</u>	<u>122,530</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 pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$500,000 retention up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of a \$250,000 per occurrence retention for property, and auto physical damage. For workers compensation there is a per occurrence retention of \$750,000. The County provides employee health and dental benefits through a self-insured plan provided by Dogwood Insurance Company (DIC). Claims are administered and paid directly from the plan by DIC. Specific stop-loss is set at \$100,000 per individual health insurance claim with an unlimited lifetime maximum. Aggregate stop-loss is set at the level of 125% with a minimum aggregate attachment point of \$6,516,502 and a contract period maximum of \$1,000,000.

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

At the date of this report, the County was a defendant to three lawsuits. Management believes the total outcome of these lawsuits will be insignificant to 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, 2014 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)	2,272,000
\$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>3,330,000</u>
Total	<u>5,602,000</u>

b. Installment Financing Contracts

\$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	2,100,000
\$1,161,713 Guaranteed Energy Savings Contract first payment due November 7, 2014 in annual installments through November 7, 2030. Interest is 3.75% but reimbursed with tax credits.	<u>1,161,713</u>
Total	3,261,713
TOTAL	<u>8,863,713</u>

c. Installment Financing Contracts – Solid Waste

\$134,361 Bulldozer Debt First payment due September 25, 2014 Final payment due September 25, 2015 Interest rate is 2.12%	<u>134,361</u>
Total	<u>134,361</u>

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

Water District Bonds outstanding at June 30, 2014 in the amount of \$6,242,500 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>
2015	129,500	275,738
2016	134,500	269,956
2017	141,000	263,949
2018	146,500	257,650
2019	154,000	251,102
2020-2024	878,500	1,145,954
2025-2029	1,093,500	931,129
2030-2034	1,308,500	666,433
2035-2039	1,328,500	362,139
2040-2043	928,000	98,600
TOTAL	<u>\$ 6,242,500</u>	<u>\$4,522,649</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	1,013,000	181,932
2016	995,000	152,856
2017	981,000	122,398
2018	967,000	90,549
2019	953,000	57,957
2020	693,000	25,099
Total	<u>\$ 5,602,000</u>	<u>\$ 630,789</u>

At June 30, 2014, Scotland County had a legal debt margin of \$155,766,626.

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 \$300,000 and ten annual interest payments at an interest rate of 5.420%. For Scotland County, the future minimum payments as of June 30, 2014, including \$455,280 of interest are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	300,000	113,820
2016	300,000	97,560
2017	300,000	81,300
2018	300,000	65,040
2019	300,000	48,780
2020-2021	600,000	48,780
Total	<u>\$ 2,100,000</u>	<u>\$ 455,280</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
2015	33,820	43,564
2016	37,177	42,296
2017	40,717	40,902
2018	43,948	39,375
2019	47,859	37,727
2020-2024	302,882	158,695
2025-2029	435,613	92,446
2030-2031	219,697	12,496
Total	<u>\$ 1,161,713</u>	<u>\$ 467,501</u>

Year Ending June 30	Enterprise Fund Activities	
	Principal	Interest
2015	66,476	2,848
2016	67,885	1,439
Total	<u>\$ 134,361</u>	<u>\$ 4,288</u>

Debt related to capital activities - of the total governmental activities debt listed, only \$1,296,074 relates to assets the County holds title.

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, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 6,633,000	\$ -	\$ 1,031,000	\$ 5,602,000	\$ 1,013,000
Installment financing	\$ 2,591,497	1,161,713	491,497	\$ 3,261,713	\$ 333,820
Net pension obligation	\$ 65,179	18,103	-	\$ 83,282	\$ -
Compensated absences	\$ 865,986	674,036	701,208	\$ 838,814	\$ -
Other postemployment benefits	\$ 4,482,178	910,759	-	\$ 5,392,937	\$ -
Total governmental activities	\$ 14,637,840	\$ 2,764,611	\$ 2,223,705	\$ 15,178,746	\$ 1,346,820
Business-type activities:					
Water and sewer districts					
General obligation debt	\$ 6,366,500	-	124,000	\$ 6,242,500	\$ 129,500
Compensated absences	\$ 2,633	2,223	1,377	\$ 3,479	\$ -
Total water and sewer activities	\$ 6,369,133	2,223	125,377	\$ 6,245,979	\$ 129,500
Landfill					
Accrued landfill closure and postclosure care costs					
Installment financing	\$ 1,686,184	48,222	-	\$ 1,734,406	\$ -
Compensated absences	\$ -	134,361	-	\$ 134,361	\$ 66,476
Other postemployment benefits	\$ 25,360	17,423	11,870	\$ 30,913	\$ -
Total landfill activities	\$ 142,756	29,732	-	\$ 172,488	\$ -
Total landfill activities	\$ 1,854,300	229,738	11,870	\$ 2,072,168	\$ 66,476
Total business-type activities	\$ 8,223,433	\$ 231,961	\$ 137,247	\$ 8,318,147	\$ 195,976

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the:

Revaluation Fund to finance various revaluation expenditures \$ 75,000

Due To and From Interfunds and Other Governments

General Fund:

Due from Solid Waste for cash used in operations Exhibit 3 \$ 375,574

Water District One:

Due from Water District Two for cash used in operations Exhibit 7 \$ 22,929

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 9,722,370	\$ 8,942,011
Less: long term debt	<u>1,161,713</u>	<u>6,376,761</u>
Net investment in capital assets	<u>\$ 8,560,657</u>	<u>\$ 2,565,250</u>

E. 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	\$10,435,241
Less:	
Nonspendable	3,228
Stabilization by State Statute	2,434,295
Remaining Fund Balance	7,997,718

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 \$26,296 to the Council during the fiscal year ended June 30, 2014.

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, 2014, Scotland County approved and paid the sum of \$277,395 to Richmond Community College.

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	\$44,964,034	\$24,618,637
NC health choice	637,568	201,125
Food stamp program	16,655,038	-
WIC	1,166,609	-
Title IV-E, foster care	232,947	78,112
Adult assistance	-	357,599
Adoption assistance	225,684	58,820
	<u>\$63,881,880</u>	<u>\$25,314,293</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. Prior Period Adjustment

During the year, the general fund required a prior period adjustment of \$692,180 for an accounts receivable amount due in a prior year. Water districts one and two required prior period adjustments for accounts receivables due in a prior year in the amounts of \$49,047 and \$41,479, respectively. The effect on fund balance in the general fund was an increase at beginning of the year of \$692,180, the effect on the net position at beginning of the year of the water district one and two is an increase of \$49,047 and \$41,479, respectively.

IX. Subsequent Events

Management has evaluated subsequent events through December 15, 2014, the date which the financial statements were available to be issued.

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)
12-31-08	-	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%
12-31-13	-	673,650	673,650	0.00%	1,268,308	53.11%

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%
2014	67,971	72.54%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% - 7.85%
Cost-of-living adjustments	N/A

*Includes inflation at 3.00%

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)
12/31/07	-	19,296,413	19,296,413	0%	9,381,324	205.70%
12/31/08	-	17,301,674	17,301,674	0%	9,416,098	183.70%
12/31/09	-	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%
12/31/13	-	20,745,367	20,745,367	0%	9,344,802	222.00%

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%
2014	1,562,142	40.10%

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	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical Trend Assumptions	
Pre-Medicare Trend Rate	7.75% to 5.00%
Post-Medicare Trend Rate	5.75% to 5.00%
Year of Ultimate Trend Rate	2019
Cost-of-living adjustments	None

*Includes inflation at 3.00%

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, 2014

	2014		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		21,917,649	
Interest		<u>451,669</u>	
Total	20,928,417	22,369,318	1,440,901
Local option sales taxes:			
Article 39 one percent		2,325,032	
Article 40 one-half of one percent		1,701,332	
Article 42 one-half of one percent		1,250,740	
Article 44 one-half of one percent		<u>161,199</u>	
Total	5,429,733	5,438,304	8,571
Other taxes and licenses:			
Franchise tax	90,000	61,348	(28,652)
Unrestricted intergovernmental:			
Beer and wine tax		81,791	
ABC profit distribution		<u>78,442</u>	
Total	90,000	160,233	70,233
Restricted intergovernmental:			
State and federal grants		7,332,769	
Lottery proceeds		615,100	
Court facility fees		<u>64,052</u>	
Total	8,437,458	8,011,921	(425,537)
Permits and fees:			
Election fees		16,140	
Inspection fees		184,177	
Register of deeds		<u>171,970</u>	
Total	304,765	372,287	67,522

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, 2014

	2014		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues - continued:			
Sales and services:			
Jail and other fees		166,479	
Ambulance fees		1,090,236	
Recreation fees		131,170	
Health department fees		62,496	
Total	1,235,445	1,450,382	214,937
Investment earnings	10,950	11,769	819
Fines, forfeitures	275,000	229,290	(45,710)
Miscellaneous:			
Private donations		1,065	
Sheriff dept. - surveillance - shared revenue		17,350	
Other		525,966	
Total	408,222	544,381	136,159
 Total revenues	 37,209,990	 38,649,231	 1,439,241

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, 2014

	2014		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		48,463	
Other operating expenditures		17,380	
Reimbursements - proprietary funds		(12,000)	
Total	65,899	53,843	12,056
Administration:			
Salaries and employee benefits		637,230	
Other operating expenditures		20,989	
Reimbursements - proprietary funds		(69,000)	
Total	659,007	589,219	69,788
Elections:			
Salaries and employee benefits		113,198	
Other operating expenditures		53,649	
Total	171,014	166,846	4,168
Tax:			
Salaries and employee benefits		597,020	
Other operating expenditures		165,845	
Total	786,950	762,865	24,085
Legal:			
Contracted services		55,480	
Total	56,125	55,480	645
Register of deeds:			
Salaries and employee benefits		180,254	
Other operating expenditures		46,055	
Capital outlay		6,225	
Total	245,032	232,534	12,498

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, 2014

	2014		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		2,372	
Total	7,000	2,372	4,628
Information technology:			
Salaries and employee benefits		105,062	
Other operating expenditures		70,721	
Total	211,914	175,783	36,131
Total general government	2,202,941	2,038,942	163,999
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,269,957	
Other operating expenditures		402,423	
Total	2,696,183	2,672,380	23,803
Jail:			
Salaries and employee benefits		1,054,836	
Other operating expenditures		684,570	
Capital outlay		9,662	
Total	1,859,447	1,749,068	110,379
Emergency communications & services:			
Salaries and employee benefits		1,502,573	
Other operating expenditures		189,930	
Capital outlay		55,517	
Total	1,878,861	1,748,020	130,841
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, 2014

	2014		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures - continued:			
Inspections:			
Salaries and employee benefits		219,580	
Other operating expenditures		12,519	
Total	292,971	232,100	60,871
Planning & zoning:			
Salaries and employee benefits		1,319	
Total	1,319	1,319	-
Scotland County Rescue Squad	39,052	35,581	3,471
Medical examiner	30,000	27,750	2,250
Animal control:			
Salaries and employee benefits		90,019	
Other operating expenditures		8,299	
Total	100,483	98,317	2,166
Humane society	110,000	109,713	287
Surveillance and drugs:			
Other operating expenditures		3,600	
Total	10,000	3,600	6,400
Total public safety	7,099,091	6,758,623	340,468

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, 2014

	2014		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures		428,017	
Capital outlay		8,924	
Total	487,140	436,942	50,198
Public buildings:			
Salaries and employee benefits		474,471	
Other operating expenditures		522,118	
Capital outlay		1,078,788	
Total	2,297,882	2,075,377	222,505
Total central service	2,785,022	2,512,318	272,704
Economic and physical development:			
Industry grants		64,321	
Region N-council of government		26,296	
SEDC		3,616	
Total	105,960	94,233	11,727
Co-op extension:			
Salaries and employee benefits		7,012	
Other operating expenditures		101,120	
Total	149,018	108,132	40,886
Soil and water conservation:			
Salaries and employee benefits		60,146	
Other operating expenditures		1,672	
Total	65,507	61,818	3,689
Total economic & physical development	320,485	264,183	56,302

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, 2014

	2014		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		214,803	
Historic Properties		18,000	
Total other expenditures	233,000	232,803	197
Human services:			
Health:			
Administration:			
Salaries and employee benefits		508,031	
Other operating expenditures		100,059	
Capital outlay		6,550	
Total	619,661	614,640	5,021
Tuberculosis:			
Salaries and employee benefits		17,705	
Other operating expenditures		2,567	
Total	23,464	20,273	3,191
Orthopedic		6,712	
Child health		122,886	
Primary care		94,242	
Communicable diseases		142,192	
Total	384,822	366,032	18,790
Family planning:			
Salaries and employee benefits		394,846	
Other operating expenditures		62,681	
Total	465,870	457,527	8,343

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, 2014

	2014		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		8,322	
Other operating expenditures		<u>31,714</u>	
Total	<u>40,422</u>	40,036	386
Women, infants, and children:			
Salaries and employee benefits		311,989	
Other operating expenditures		<u>21,968</u>	
Total	<u>346,566</u>	333,958	12,608
Environmental health:			
Salaries and employee benefits		129,978	
Other operating expenditures		<u>20,263</u>	
Total	<u>152,650</u>	150,242	2,408
Child services coordinator:			
Salaries and employee benefits		89,375	
Other operating expenditures		<u>30,207</u>	
Total	<u>119,948</u>	119,582	366
MCC	135,100	134,704	396
Immunization:			
Salaries and employee benefits		16,665	
Other operating expenditures		<u>1,487</u>	
Total	<u>18,158</u>	18,152	6
Adult health:			
Salaries and employee benefits		27,271	
Other operating expenditures		<u>6,765</u>	
Total	<u>34,185</u>	34,037	148

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, 2014

	2014		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		7,603	
Other operating expenditures		<u>23,394</u>	
Total	<u>31,061</u>	<u>30,998</u>	<u>63</u>
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		<u>7,019</u>	
Total	<u>80,020</u>	<u>79,939</u>	<u>81</u>
Total health	2,451,927	2,400,119	51,808
Social services:			
Administration:			
Salaries and employee benefits		4,057,533	
Other operating expenditures		<u>3,788,874</u>	
Total	<u>8,681,324</u>	<u>7,846,406</u>	<u>834,918</u>
Transportation:			
Salaries and employee benefits		327,716	
Other operating expenditures		120,831	
Capital outlay		<u>153,090</u>	
Total	<u>716,893</u>	<u>601,636</u>	<u>115,257</u>
Total social services	9,398,217	8,448,043	950,174

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, 2014

	2014		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		46,349	
Other operating expenditures		2,296	
Total	64,590	48,645	15,945
Total human services	11,914,734	10,896,807	1,017,927
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		394,355	
Other operating expenditures		190,270	
Capital outlay		35,850	
Total	709,378	620,475	88,903
Libraries:			
Salaries and employee benefits		267,188	
Other operating expenditures		143,336	
Capital outlay		16,861	
Total	429,624	427,386	2,238
Total cultural and recreational	1,139,002	1,047,860	91,142

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, 2014

	2014		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Education:			
Public schools - current expense		10,214,325	
Public schools - lottery-capital outlay		373,000	
Fines and forfeitures		229,290	
Contributions of capital		198,000	
Community colleges - current		<u>277,395</u>	
Total education	<u>11,388,720</u>	<u>11,292,010</u>	<u>96,710</u>
Debt service:			
Principal retirement		1,522,497	
Interest and fees, other		<u>197,437</u>	
Total debt service	<u>1,735,462</u>	<u>1,719,934</u>	<u>15,528</u>
Total expenditures	38,818,457	36,763,480	2,054,977
Revenues over (under) expenditures	(1,608,467)	1,885,751	3,494,218

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, 2014

	2014		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
Special revenue funds revaluation	(89,000)	(75,000)	14,000
Total net transfers	(89,000)	(75,000)	14,000
Proceeds from installment financing	1,161,713	1,161,713	-
Total other financing sources	1,072,713	1,086,713	14,000
Appropriated fund balance	535,754	-	(535,754)
Net change in fund balance	-	2,972,464	2,972,464
Fund balances:			
Beginning as previously reported		6,770,596	
Prior period adjustment (See Note VIII)		692,180	
Fund balances, beginning as restated		7,462,776	
End of year, June 30		10,435,240	

Scotland County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds						Capital Project Funds			
	Library Services Fund	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	North Carolina Housing Finance Agency	CDBG	Total Nonmajor Special Revenue Funds	911 Building Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Assets										
Cash and cash equivalents	-	-	138,034	-	-	-	138,034	-	-	138,034
Restricted cash	12,410	827,635	-	492,199	4,130	6,037	1,342,411	46,987	46,987	1,389,398
Prepaid expense	-	1,979	-	-	-	-	1,979	-	-	1,979
Due from other governments/grantors	-	11,813	-	17,943	-	-	29,756	128,572	128,572	158,328
Total assets	<u>12,410</u>	<u>841,427</u>	<u>138,034</u>	<u>510,142</u>	<u>4,130</u>	<u>6,037</u>	<u>1,512,180</u>	<u>175,559</u>	<u>175,559</u>	<u>1,687,739</u>
Liabilities & fund balances										
Liabilities:										
Deferred revenue	-	-	-	-	-	-	-	122,530	122,530	122,530
Accounts payable & accrued liabilities	-	-	-	156	-	-	156	53,029	53,029	53,185
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>156</u>	<u>-</u>	<u>-</u>	<u>156</u>	<u>175,559</u>	<u>175,559</u>	<u>175,715</u>
Fund balances:										
Nonexpendable:										
Prepaid expenses	-	1,979	-	-	-	-	1,979	-	-	1,979
Restricted for:										
Stabilization by state statute	-	11,813	-	17,943	-	-	29,756	-	-	29,756
Fire protection	-	827,635	-	-	-	-	827,635	-	-	827,635
Emergency telephone	-	-	-	492,043	-	-	492,043	-	-	492,043
Rehabilitation	-	-	-	-	4,130	6,037	10,167	-	-	10,167
Library services	12,410	-	-	-	-	-	12,410	-	-	12,410
Committed:										
Revaluation	-	-	138,034	-	-	-	138,034	-	-	138,034
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>12,410</u>	<u>841,427</u>	<u>138,034</u>	<u>509,986</u>	<u>4,130</u>	<u>6,037</u>	<u>1,512,024</u>	<u>-</u>	<u>-</u>	<u>1,512,024</u>
Total liabilities, deferred inflows of resources and fund balances	<u>12,410</u>	<u>841,427</u>	<u>138,034</u>	<u>510,142</u>	<u>4,130</u>	<u>6,037</u>	<u>1,512,180</u>	<u>175,559</u>	<u>175,559</u>	<u>1,687,739</u>

Scotland County, North Carolina
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	Special Revenue Funds						Capital Project Funds			
	Library Services Fund	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	North Carolina Housing Finance Agency	CDBG	Total Nonmajor Special Revenue Funds	911 Building Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:										
Ad valorem taxes	-	242,894	-	-	-	-	242,894	-	-	242,894
Other taxes, licenses & fees	4,837	620	-	247,190	-	-	252,647	-	-	252,647
Sales tax	-	92,729	-	-	-	-	92,729	-	-	92,729
Grants	-	-	-	-	301,496	308,130	609,626	2,209,697	2,209,697	2,819,323
Investment earnings	2	5,712	-	-	-	-	5,714	-	-	5,714
Total revenues	4,839	341,955	-	247,190	301,496	308,130	1,203,610	2,209,697	2,209,697	3,413,307
Expenditures:										
Public safety	-	216,809	-	229,290	-	-	446,099	-	-	446,099
Rehabilitation	-	-	-	-	297,366	308,130	605,496	-	-	605,496
Capital outlay	-	-	-	-	-	-	-	2,209,697	2,209,697	2,209,697
Total expenditures	-	216,809	-	229,290	297,366	308,130	1,051,595	2,209,697	2,209,697	3,261,292
Revenues over expenditures	4,839	125,146	-	17,900	4,130	-	152,015	-	-	152,015
Other financing sources and uses:										
Transfers from other funds	-	-	75,000	-	-	-	75,000	-	-	75,000
Total other financing sources	-	-	75,000	-	-	-	75,000	-	-	75,000
Net change in fund balances	4,839	125,146	75,000	17,900	4,130	-	227,015	-	-	227,015
Fund balances - beginning	7,571	716,281	63,034	492,086	-	6,037	1,285,009	-	-	1,285,009
Fund balances - ending	12,410	841,427	138,034	509,986	4,130	6,037	1,512,024	-	-	1,512,024

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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Licenses & fees	4,500	4,837	337
Interest earnings	<u>-</u>	<u>2</u>	<u>2</u>
Total revenues	<u>4,500</u>	<u>4,839</u>	<u>339</u>
Expenditures:			
Cultural and recreational	<u>4,500</u>	<u>-</u>	<u>4,500</u>
Total expenditures	<u>4,500</u>	<u>-</u>	<u>4,500</u>
Revenues over expenditures	<u>-</u>	4,839	<u>4,839</u>
Fund balances - beginning		<u>7,571</u>	
Fund balances - ending		<u>12,410</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	221,526	242,894	21,368
Other taxes, licenses & fees	1,911	620	(1,291)
Sales tax	55,000	92,729	37,729
Investment earnings	2,500	5,712	3,212
Total revenues	<u>280,937</u>	<u>341,955</u>	61,018
Expenditures:			
Public safety	<u>280,937</u>	<u>216,809</u>	64,128
Total expenditures	<u>280,937</u>	<u>216,809</u>	64,128
Revenues over expenditures	<u>-</u>	125,146	<u>125,146</u>
Fund balances - beginning		<u>716,281</u>	
Fund balances - ending		<u>841,427</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
None	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Revenues over (under) expenditures	<u>(75,000)</u>	<u>-</u>	<u>75,000</u>
Other financing sources:			
Transfers:			
General fund	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total other financing sources	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Revenues and other sources over expenditures	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Fund balances - beginning		<u>63,034</u>	
Fund balances - ending		<u>138,034</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, 2014

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Other taxes, licenses & fees	192,747	247,190	54,443
Other grants	642,064	-	(642,064)
Interest	<u>13,000</u>	<u>-</u>	<u>(13,000)</u>
Total revenues	<u>847,811</u>	<u>247,190</u>	<u>(600,621)</u>
Expenditures:			
Public safety	524,344	229,290	295,054
Capital outlay	<u>39,624</u>	<u>-</u>	<u>39,624</u>
Total expenditures	<u>563,968</u>	<u>229,290</u>	<u>334,678</u>
Revenues over (under) expenditures	283,843	17,900	(265,943)
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 over expenditures	<u>-</u>	17,900	<u>17,900</u>
Fund balances - beginning		<u>492,086</u>	
Fund balances - ending		<u>509,986</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, 2014

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other grants	549,799	301,496	(248,303)
Total revenues	<u>549,799</u>	<u>301,496</u>	<u>(248,303)</u>
Expenditures:			
Administration	60,000	51,852	8,148
Rehabilitation/construction	489,799	245,514	244,285
Total expenditures	<u>549,799</u>	<u>297,366</u>	<u>252,433</u>
Revenues over expenditures	<u>-</u>	4,130	<u>4,130</u>
Fund balances - beginning		<u>-</u>	
Fund balances - ending		<u>4,130</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, 2014

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Other grants	<u>400,000</u>	<u>6,037</u>	<u>308,130</u>	<u>314,167</u>	<u>(85,833)</u>
Total revenues	400,000	6,037	308,130	314,167	(85,833)
Expenditures:					
Rehabilitation/construction	<u>400,000</u>	<u>-</u>	<u>308,130</u>	<u>308,130</u>	<u>91,870</u>
Total expenditures	<u>400,000</u>	<u>-</u>	<u>308,130</u>	<u>308,130</u>	<u>91,870</u>
Revenues over expenditures	<u>-</u>	<u>6,037</u>	-	<u>6,037</u>	<u>6,037</u>
Fund balances - beginning			<u>6,037</u>		
Fund balances - ending			<u>6,037</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, 2014

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	Variance Positive (Negative)
Revenues:					
Grant funds	2,750,000	-	2,209,697	2,209,697	(540,303)
Total revenues	<u>2,750,000</u>	<u>-</u>	<u>2,209,697</u>	<u>2,209,697</u>	<u>(540,303)</u>
Expenditures:					
Construction	3,350,000	-	2,058,287	2,058,287	1,291,713
Architect/engineering	<u>300,000</u>	<u>148,590</u>	<u>151,410</u>	<u>300,000</u>	<u>-</u>
Total expenditures	<u>3,650,000</u>	<u>148,590</u>	<u>2,209,697</u>	<u>2,358,287</u>	<u>1,291,713</u>
Revenues over (under) expenditures	<u>(900,000)</u>	<u>(148,590)</u>	<u>-</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>-</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>	<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, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees	1,346,107	1,133,039	(213,068)
Other revenues and taxes	<u>338,500</u>	<u>203,692</u>	<u>(134,808)</u>
Total operating revenues	1,684,607	1,336,731	(347,876)
Expenditures:			
Operating expenses:			
Salaries & employee benefits	463,220	428,158	35,062
Supplies	20,000	15,909	4,091
Repairs & maintenance	78,500	65,867	12,633
Contracted services	217,100	187,756	29,344
Waste disposal	606,787	512,691	94,096
Other operating expenditures	<u>171,000</u>	<u>144,668</u>	<u>26,332</u>
Total operating expenses	1,556,607	1,355,049	201,558
Capital outlays:			
Equipment	<u>142,000</u>	<u>141,510</u>	<u>490</u>
Total expenditures	<u>1,698,607</u>	<u>1,496,559</u>	<u>202,048</u>
Revenues (under) expenditures	<u>(14,000)</u>	<u>(159,828)</u>	<u>(145,828)</u>
Other financing sources (uses):			
Transfer to other fund:			
Water district two	14,000	-	(14,000)
Installment financing	<u>-</u>	<u>134,361</u>	<u>134,361</u>
Total other financing sources	<u>14,000</u>	<u>134,361</u>	<u>120,361</u>
Revenues and other sources (under) expenditures and other uses	<u>-</u>	<u>(25,467)</u>	<u>(25,467)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		141,510	
Installment financing		(134,361)	
Depreciation		(65,385)	
(Increase) in accrued vacation		(5,552)	
(Increase) in accrued landfill closure and postclosure costs		(48,222)	
(Increase) in accrued OPEB liability		<u>(29,732)</u>	
Total reconciling items		(141,742)	
Change in net position		<u>(167,209)</u>	

Scotland County, North Carolina
Water District I Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales	650,000	646,307	(3,693)
Total operating revenues	650,000	646,307	(3,693)
Expenditures:			
Operating expenses:			
Salaries and employee benefits	43,974	39,486	4,488
Water purchases	269,060	288,406	(19,346)
Other operating expenditures	201,030	134,274	66,756
Total operating expenses	514,064	462,166	51,898
Debt service:			
Principal retirement	42,500	42,500	-
Interest	83,436	83,436	-
Total	125,936	125,936	-
Capital-outlay:			
Equipment	10,000	8,592	1,408
Total expenditures	650,000	596,694	53,306
Revenues over expenditures	-	49,613	49,613
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		8,592	
Principal payment		42,500	
Depreciation		(114,024)	
Bad debts		(2,913)	
(Increase) in accrued vacation		(846)	
Total reconciling items		(66,691)	
Change in net position		(17,078)	

Scotland County, North Carolina
Water District II Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2014

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	400,000	394,159	(5,841)
Sewer fees	150,000	165,957	15,957
Total operating revenues	550,000	560,116	10,116
Expenditures:			
Operating expenses:			
Water purchases	150,000	128,987	21,013
Water operations	120,662	88,105	32,557
Total operating expenses	270,662	217,092	53,570
Debt service:			
Debt principal	81,500	81,500	-
Interest	197,838	197,838	-
Total	279,338	279,338	-
Total expenditures	550,000	496,430	53,570
Revenues over expenditures	-	63,687	63,687
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		81,500	
Depreciation		(183,736)	
Bad debts		(27,814)	
Total reconciling items		(130,050)	
Change in net position		(66,364)	

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Social Services				
Assets:				
Cash & cash equivalents	28,588	188,087	201,398	15,277
Liabilities:				
Miscellaneous liabilities	28,588	188,087	201,398	15,277
Fines and Forfeitures				
Assets:				
Cash	5,420	388,089	390,380	3,129
Liabilities:				
Intergovernmental payable	-	229,290	229,290	-
Other tax	3,440	158,800	159,110	3,130
NC Division of Motor Vehicles	1,980	-	1,980	-
Total liabilities	5,420	388,090	390,380	3,130
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	25,020	637,348	546,658	115,710
Liabilities:				
Miscellaneous liabilities	25,020	674,856	584,166	115,710
Inmate Trust Fund				
Assets:				
Cash	18,898	106,954	107,751	18,101
Liabilities:				
Inmate funds	18,898	106,954	107,751	18,101
Tourism Development Fund				
Assets:				
Cash	151,672	271,773	302,054	121,391
Liabilities:				
Miscellaneous liabilities	151,672	271,773	302,054	121,391
Parks and Recreation				
Assets:				
Cash	-	180	-	180
Liabilities:				
Miscellaneous liabilities	-	180	-	180

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
Concealed Weapons Fees				
Assets:				
Cash	<u>1,220</u>	<u>19,490</u>	<u>19,745</u>	<u>965</u>
Liabilities:				
Miscellaneous liabilities	<u>1,220</u>	<u>19,490</u>	<u>19,745</u>	<u>965</u>
 Register of Deeds				
Assets:				
Cash	<u>4,711</u>	<u>74,005</u>	<u>72,897</u>	<u>5,819</u>
Liabilities:				
Miscellaneous liabilities	<u>4,711</u>	<u>74,005</u>	<u>72,897</u>	<u>5,819</u>
 Total-All Agency Funds				
Assets:				
Cash	<u>235,529</u>	<u>1,685,926</u>	<u>1,640,883</u>	<u>280,572</u>
Liabilities:				
Miscellaneous liabilities	233,549	1,494,145	1,447,121	280,572
Intergovernmental payable	-	229,290	229,290	-
NC Division of Motor Vehicles	<u>1,980</u>	-	<u>1,980</u>	-
Total liabilities	<u>235,529</u>	<u>1,723,435</u>	<u>1,678,391</u>	<u>280,572</u>

OTHER SCHEDULES

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2014

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 22,017,177	\$ 20,589,498	\$ 1,427,679
2012-2013	1,632,608	-	998,403	634,205
2011-2012	618,028	-	260,554	357,474
2010-2011	415,530	-	110,502	305,028
2009-2010	309,035	-	54,110	254,925
2008-2009	263,312	-	39,993	223,319
2007-2008	251,313	-	26,264	225,049
2006-2007	227,630	-	25,193	202,437
2005-2006	214,749	-	17,185	197,564
2004-2005	161,465	-	10,151	151,314
2003-2004	139,555	-	93,281	46,274
2002-2003	126,367	-	95,407	30,960
2001-2002	103,317	-	79,166	24,151
2000-2001	111,451	-	86,864	24,587
Total	\$ 4,574,360	\$ 22,017,177	\$ 22,486,571	\$ 4,104,966
				Less allowance for uncollectible accounts
				\$ (205,248)
				Ad valorem taxes receivable - net
				\$ 3,899,718
<u>Reconciliation with revenues:</u>				
Ad valorem taxes				\$ 22,369,318
Penalties collected on ad valorem taxes				\$ 27,513
Reconciling items:				
Interest only collected				\$ (424,155)
Discounts				\$ 84,935
Taxes released				\$ 257,577
Discovery fees				\$ 171,383
Total reconciling items				\$ 89,740
Total collections and credits				<u>\$ 22,486,571</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2014

	<u>County-wide Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Total Levy Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy	<u>2,152,424,753</u>	\$1.03	<u>22,169,975</u>	<u>19,092,725</u>	<u>3,077,250</u>
Total	<u>2,152,424,753</u>		<u>22,169,975</u>	<u>19,092,725</u>	<u>3,077,250</u>
Abatements	<u>(14,834,750)</u>		<u>(152,798)</u>	<u>(90,597)</u>	<u>(62,201)</u>
Total property valuations	<u><u>2,137,590,003</u></u>				
Net levy			22,017,177	19,002,128	3,015,049
Uncollected taxes at June 30, 2014			<u>1,427,679</u>	<u>1,062,167</u>	<u>365,512</u>
Current year's taxes collected			<u><u>20,589,498</u></u>	<u><u>17,939,961</u></u>	<u><u>2,649,537</u></u>
Current year collection percentage			93.52%	94.41%	87.88%

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2014

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	1,448,680,138
Personal property	594,167,839
Public service companies ²	<u>94,742,026</u>
Total assessed valuation	2,137,590,003
Tax rate per \$100	1.03
Levy (includes discoveries, releases and abatements) ³	22,017,177

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	\$ 241,740
Total	<u><u>\$ 241,740</u></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, 2014

<u>Taxpayer</u>	<u>Type of Business</u>	2014 <u>Assessed Valuation</u>	Percentage of Total <u>Assessed Valuation</u>
Pilkington North America	Manufacturing	\$ 100,091,803	4.72%
Duke Energy	Utility	\$ 50,338,219	2.38%
FCC North Carolina, Inc.	Manufacturing	\$ 46,398,746	2.19%
CSX Transportation	Railroad	\$ 32,138,095	1.52%
Kordsa, Inc.	Manufacturing	\$ 26,269,665	1.24%
Lumbee River EMC	Utility	\$ 24,905,160	1.18%
Carroll's Realty	Farm	\$ 24,568,556	1.16%
Bellsouth	Utility	\$ 22,191,825	1.05%
Meritor Heavy Vehicle	Manufacturing	\$ 16,874,626	0.80%
WP Properties	Real Estate	\$ 16,475,530	0.78%
Total		<u>\$ 360,252,225</u>	<u>17.00%</u>

COMPLIANCE SECTION

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2014, 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 December 15, 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. *See findings 2014-1 and 2014-2.*

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

December 15, 2014

Gustaf C. Lundin & Company, LLP

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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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-3. Our opinion on each major federal program is not modified with respect to this matter.

Scotland County's response to the noncompliance finding identified in our audit is described in the accompanying; *schedule of findings and questioned costs and the 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.

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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-3 and 2014-4 that we consider to be significant deficiencies.

Scotland County's response to the internal control over compliance finding 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

December 15, 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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as item 2014-5. Our opinion on each major state program is not modified with respect to these matters.

Scotland County's response to the noncompliance finding identified in our audit is described in the accompanying; *schedule of findings and questioned costs and the 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.

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 2014-6 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

December 15, 2014

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2014

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medicaid
93.767	NC Health Choice (CHIP)

Dollar threshold used to distinguish
 between Type A and Type B Programs \$1,615,127

Auditee qualified as low-risk auditee? X yes 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 X yes no

Identification of major State programs:

- Program Name
- Medicaid
- CHIP
- Special Assistance for Adults
- State Aid to Consolidate 911 Communications
- Public School Building Capital Fund

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section II - Financial Statement Findings

Finding: 2014-1

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.

Finding: 2014-2

SIGNIFICANT DEFICIENCY

Criteria: The need for a prior period adjustment is a correction of an error from a prior period and is indicative of deficient internal controls as it relates to financial statement preparation.

Condition: The account receivable balances in the general and water district funds were understated in the prior years. A discretely presented component unit (the Scotland County Tourism Development Authority) also required a prior period adjustment for an overstated note payable in a prior period.

Effect: Prior period adjustments in the general fund and water districts one and two were required in the amounts of \$692,180, \$49,047 and \$41,479, respectively. Furthermore, a prior period adjustment in the amount of \$56,010 was required to the Tourism Development Authority; a discretely presented component unit.

Cause: Oversight in identifying all receivables in a prior year for the County and overstatement of notes payables in a prior year for the discretely presented component unit.

Recommendation: We recommend the County develop a system to properly identify all accounts receivables and note payable balances.

Views of responsible officials: The County agrees with this finding and has implemented procedures to identify all assets and liabilities.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs

US Department of Health and Human Service

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

Division of Social Services

Program Name: State Children's Insurance Program-N.C. Health Choice

CFDA# 93.767

Finding: 2014-3

Significant Deficiency

Eligibility/and Internal Controls

Criteria: Individual case records should contain proper documentation of the eligibility determinations for N.C. Health Choice and the forms should be properly filled out.

Condition: Two case files out of 40 that we reviewed (total population of 206 case files) were missing the required budget calculation documents in the case files. The budget calculation document displays the allowable income threshold for eligibility and ensures that the client meets the income guidelines.

Context: Two case files out of 40 reviewed case files were missing the required budget calculation document.

Effect: The missing budget documents could increase the probability of errors in determining eligibility for N.C. Health Choice and potentially lead to a questioned cost.

Cause: Human error in recordkeeping procedures.

Recommendation: Proper controls should be in place to ensure all required documents are located in case files. More second party reviews by supervisors should be performed throughout the year to strengthen internal controls.

Views of responsible officials and planned corrective actions: Although the County agrees that the budget documents should have been available in the two files, there were controls in place that would not have allowed the individual to be considered eligible for the program if that individual was over the income threshold. In addition, the case files with missing budget documents were determined to be eligible for N.C. Health Choice even though the documents were missing.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section III - Federal Award Findings and Questioned Costs

US Department of Health and Human Service

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

Division of Social Services

Program Name: DSS 1571

CFDA# Various

Finding: 2014-4

Significant Deficiency

Allowable Cost Principles/Internal Control

Criteria: Items such as equipment and vehicles directly charged to specific program areas, regardless of cost, must have written approval from the DHHS Office of the Controller.

Condition: Small computer equipment purchases during the year were not approved by the DHHS Office of the Controller.

Context: There were two fixed asset purchases at DSS, both were reviewed for requirements to get written approval from DHHS Office of the Controller. One purchase of \$2,536.38 was required to have an approval but DSS did not obtain approval.

Effect: Non-compliance with the DSS fiscal manual.

Cause: Oversight and lack of understanding of the rules for equipment purchases.

Recommendation: Future equipment purchases should be approved by the DHHS Office of the Controller regardless of cost.

Views of responsible officials and planned corrective actions: The County agrees with this finding in internal controls. The County will review purchases of small equipment items at the local DSS and get written approval from the DHHS Office of the Controller.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section IV - State Award Findings and Questioned Costs

North Carolina 911 Board

Program Name: Scotland County E911 Consolidation Project

Contract No. 2013-3

Finding: 2014-5

Significant Deficiency

Grant-Noncompliance-drawdown of state funds and internal controls

Criteria: Grant funds shall not be released or paid in advance of performance of actual services or reimbursable purchases. Funds shall be released only for expenses that are eligible under N.C. Gen. Stat. 62-A-40 and the policies of the 911 Board.

Condition: Grant funds of \$122,500 were drawn down or reimbursed before the expenditure was incurred.

Context: Of 26 invoices totaling \$1,611,755.42, one transaction involving \$122,500 was reimbursed before expense was incurred.

Effect: Noncompliance with grant Contract No. 2013-3 Page 4, Paragraph b.

Cause: Oversight of the rules for reimbursements.

Recommendation: The County will insure that expenditures are incurred before requesting future drawdowns of grant funds.

Views of responsible officials and planned corrective actions: The County agrees with this finding. The County takes the position that although the request for drawdown of grant funds was before the actual expenditure, a quotation from the vendor for \$122,500 was provided to the 911 Board and the actual expenditure of \$122,500 did take place on August 20, 2014.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

Section IV - State Award Findings and Questioned Costs

N.C. Department of Health and Human Service

Division of Aging and Adult Services:

Division of Social Services

Program Name: State/County Special Assistance of Adults/Internal Control

State Grantor pass-through #566000339

Finding: 2014-6

Significant Deficiency

Conflict of interest policy not available

Criteria: The County should have a conflict of interest policy that addresses ownership in adult daycare facilities, whole or in part by any member of the County Board of Social Services or any employee of the County DSS, or the spouse of any employee or board member as in accordance with G.S. 108A-47.

Condition: A conflict of interest policy was not available to the independent auditor at the time of the audit.

Effect: Lack of conflict of interest policy and understanding of the requirements of a conflict of interest policy can create an environment where conflicts, fraud and violations of G.S. 108A-47 can occur.

Cause: Oversight of the requirements for a conflict of interest policy.

Recommendation: A conflict of interest policy should be signed by all personnel, board members, and any other individual that may have a potential for conflicts of interest.

Views of responsible officials and planned corrective actions: The County agrees with this finding in internal controls. The County believes that it has a conflict of interest policy as it relates to G.S. 108A-47, but it could not be found and was not available to the auditor at the time of the audit. The County agrees to implement an updated conflict of interest policy that addresses ownership in adult daycare facilities, whole or in part by any member of the County Board of Social Services or any employee of the County DSS, or the spouse of any employee or board member as in accordance with G.S. 108A-47.

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2014

Section II - Financial Statement Findings

Finding: 2014-1

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.

Finding: 2014-2

Name of contact person: Beth Hobbs - Deputy Finance Officer

Corrective Action: The County has implemented procedures to capture all account receivables and note payables at year for all accounts.

Proposed Completion Date: Immediately.

Section III - Federal Award Findings and Questioned Costs

Finding: 2014-3

Name of contact person: Rebecca Griffin

Corrective Action: More second party reviews will be conducted going forward. Including, detailed reviews of random files and inspection of budget calculations.

Proposed Completion Date: Immediately.

Finding: 2014-4

Name of Contact Person: Heather Moody

Corrective Action: A review of all equipment purchases will be made in the future by accounting personnel and written approval will be obtained from the DHHS Office of the Controller.

Proposed Completion Date: Immediately.

Section IV - State Award Findings and Questioned Costs

Finding: 2014-5

Name of contact person: Beth Hobbs - Deputy Finance Officer

Corrective Action: All future reimbursement requests will be matched to actual expenditures and invoices before being submitted to the NC 911 Board.

Proposed Completion Date: Immediately.

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2014

Section IV - State Award Findings and Questioned Costs

Finding: 2014-6

Name of contact person: April Snead

Corrective Action: The County agrees to implement an updated conflict of interest policy that addresses ownership in adult daycare facilities by members of the board, employees, or family members.

Proposed Completion Date: Immediately.

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

Prior Year Financial Statements Findings

Finding 2013-1

Status: See current year finding 2014-1.

Finding 2013-2

Status: Corrected

Finding 2013-3

Status: Corrected

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
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	494,312	-	494,312
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	340,070	-	-
Direct Benefit Payments: Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5NC700705	1,166,609	-	-
Total U.S. Department of Agriculture			2,000,991	-	494,312
<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-2325	308,130	-	-
Total U.S. Department of Housing and Urban Development			308,130	-	-
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other Than Urbanized Areas	20.509	2000000353	23,910	1,494	-
Formula Grants for Other Than Urbanized Areas	20.509	2000000797	61,472	3,841	-
Total U.S. Dept. of Transportation			85,381	5,336	-
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety: Division of Emergency Management					
2010 Homeland Security Grant Program	97.052	2010-EO-MAX-0029	650,000	-	-
Total U. S. Department of Homeland Security			650,000	-	-
<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	30,820	-	-
Family Planning Services Title X	93.217	6FPHPA040694-40	45,890	-	-
<u>Immunization Cluster</u>					
Immunization Grants	93.268	5H23IP422554	15,238	-	-
Total Immunization Cluster			15,238	-	-
Family Preservation	93.556	15113A15151	1,808	-	-
<u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families (TANF) / Work First					
Temporary Assistance for Needy Families (TANF)	93.558	G1202NCTANF	732,646	(5)	1,968
TANF / Work First - Direct Benefit Payments	93.558	G1202NCTANF	7,045	-	-
TANF / Tea Foster Care	93.558	G1202NCTANF	351,018	-	603,274
TANF / Work First - Administration	93.558	G1202NCTANF	(2,648)	-	-
Total TANF Cluster			1,166,831	(5)	737,526

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
IV-D - Administration	93.563	1204NC4005	585,863	-	301,808
IV-D - Offset Fees	93.563	1204NC4005	3,896	-	2,007
Refugee and Entrant Assistance - State Administered Program	93.566	G12AANC4110	855	-	-
Low-Income Home Energy Assistance: Administration	93.568	G12BNCLIEA	44,189	-	-
Crisis Intervention Program	93.568	G12BNCLIEA	218,197	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	G12BNCLIEA	286,900	-	-
Stephanie Tubbs Jones Child Welfare Services Program: - Permanency Planning - Families for Kids	93.645	G1201NC1400	16,011	-	5,337
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	138,122	63,109	117,060
Foster Care - Direct Benefit Payments	93.658	1201NC1401	94,825	15,003	28,434
IV-E Adoption Optional Administration	93.659	1201NC1407	1,112	-	512
Adoption Assistance - Direct Benefit Payments	93.659	1201NC1407	225,684	58,820	58,820
Total Foster Care and Adoption Cluster			459,742	136,932	204,826
SSBG - Other Service and Training	93.667	G1201NCSOSR	157,609	20,923	59,510
Social Service Block Grant - (SSBG)	93.667	G1201NCSOSR	-	500	-
Independent Living Transitional Grant	93.674	G1201NC1420	1,577	-	-
Transitional Funds (LINKS)	93.674	G1201NC1420	10,193	2,548	-
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - State In Home Service Fund	93.667	G1201NCSOSR	13,303	-	1,900
SSBG - State Adult Day Care	93.667	G1201NCSOSR	13,472	13,120	3,799
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	57,068	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575	13801810TB83	413,365	-	-
Child Care and Development Fund -- Mandatory	93.596	13801810ML83	291,299	-	-
Child Care and Development Fund -- Match	93.596	13801810VZ83	312,753	139,481	-
Total Child Care Development Fund Cluster			1,074,485	139,481	-
TANF	93.558	G1202NCTANF	231,646	-	-
Foster Care Title IV-E	93.658	1201NC1401	11,807	6,169	-
Smart Start		138018120083	-	1,004	-
State Appropriations		138018120083	-	10,806	-
TANF MOE		G1202NCTANF	-	70,321	-
Total Subsidized Child Care (Note 2)			1,317,938	227,781	-
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	5-1205NCSMAP	44,964,034	24,618,637	-
NC Health Choice	93.767	12715376H1	637,568	201,125	-
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	5-1205NCSMAP	680,644	72,126	445,020
State Children's Insurance Program - N.C. Health Choice	93.767	12715376H1	8,683	1,500	1,239
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	10,783	-	-
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	74,790	58,353	-

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Total U.S. Dept. of Health and Human Services			50,766,834	25,353,538	1,762,973
Total federal awards			<u>53,811,336</u>	<u>25,358,874</u>	<u>2,257,285</u>
State Awards:					
<u>N.C. 911 Board</u>					
Division of 911					
State Aid to Consolidate 911 Communications		2013-3	-	1,559,697	-
Total N.C. 911 Board			<u>-</u>	<u>1,559,697</u>	<u>-</u>
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
State Aid to Public Libraries		56-6000339-E	-	97,548	-
Total N.C. Dept. of Cultural Resources			<u>-</u>	<u>97,548</u>	<u>-</u>
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program		SWWG05052014011	-	2,189	-
Scrap Tire Program		SWS635	-	11,409	-
Total N.C. Dept. of Environmental and Natural Resources			<u>-</u>	<u>13,598</u>	<u>-</u>
<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	-	357,599	363,577
AFDC Incentive		566000339	-	2,375	-
CWS Adoption Subsidy & Vendor		566000339	-	166,490	29,493
DCD Smart Start		566000339	-	16,428	-
Energy Assistance Private Grants		566000339	-	3,200	-
Foster Care		566000339	27,833	-	-
Foster Care at Risk Maximization		566000339	-	572	297
Non-Allocating County Cost		566000339	-	-	59,229
SFHF Maximization		566000339	-	18,467	18,467
State Aid to Counties		566000339	(1,597)	-	(1,597)
State Foster Home		566000339	-	10,738	10,738
Total Division of Social Services			<u>26,236</u>	<u>575,869</u>	<u>480,205</u>
Division of Public Health					
Environmental Health		87311534751	-	4,000	-
Food and Lodging		87311534751	-	7,715	-
General Aid to Counties		11011614110	-	104,455	-
General Communicable Disease Control		51011754510	-	7,855	-
Maternal Health (HMHC)		B04MC23398	-	3,868	-
Mosquito - Public Health Pesticide		87811534801	-	7,590	-
Risk Reduction / Health Promotion		81012624179	-	6,286	-
Tuberculosis		55114604551	-	13,023	-
Tuberculosis Medical Service		55114604554	-	1,529	-
Women's Health Service Fund		15113A16012	-	7,018	-
Total Division of Public Health			<u>-</u>	<u>163,339</u>	<u>-</u>
Total N. C. Department of Health and Human Services			<u>26,236</u>	<u>739,208</u>	<u>480,205</u>
<u>Passed-through the N. C. Housing Finance Agency</u>					
Single Family Rehabilitation		SFRLP1125	-	297,366	-
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds ³		LEA 830	-	373,000	-
Total N.C. Dept. of Public Instruction			<u>-</u>	<u>373,000</u>	<u>-</u>
<u>NC Department of Public Safety:</u>					
Division of Emergency Management					
Emergency Management Program Grant		EMPG 2012-37165	-	35,500	-
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		583-10939	-	214,803	-
Total NC Department of Public Safety			<u>-</u>	<u>250,304</u>	<u>-</u>

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2014

	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	59,765	-
- ROAP Rural General Public Program		DOT-16CL	-	72,551	-
- ROAP Work First Transitional - Employment		DOT-16CL	-	27,423	-
Total ROAP			-	159,739	-
Total State awards			26,236	3,490,459	480,205
Total federal and State awards			53,837,572	28,849,333	2,737,489

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 the 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>
Public School Building Capital Fund - Lottery Proceeds	N/A	LEA 830	-	373,000
Juvenile Crime Prevention Programs		583-10939	-	214,803

