

**Statement of**  
**SCOTLAND COUNTY**  
**Laurinburg, North Carolina**  
**June 30, 2015**



**SCOTLAND COUNTY, NORTH CAROLINA**

**BOARD OF COUNTY COMMISSIONERS**

Guy McCook, Chairman

Carol H. McCall, Vice Chairperson

John T. Alford, Commissioner

Betty Blue Gholston, 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

Page Pratt, Register of Deeds

Mary Helen Norton, Tax Administrator

Beth Hobbs, Finance Officer

**Scotland County, North Carolina**  
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**June 30, 2015**

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**FINANCIAL SECTION**

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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, 2015, and the related notes to the financial statements, which collectively comprise Scotland County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Scotland County ABC Board which represents 33.27 percent, 23.31 percent, and 67.95 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 12.49 percent, 14.36 percent, and 29.01 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' and Other Postemployment Benefits Special Separation Allowance Schedules of Funding Progress and Employer Contributions, Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Asset and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 4 through 12, 64 and 65, 66 and 67, and pages 68 through 71, 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 of 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 January 20, 2016, 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.

*Parker, Wagener + Roche, PLLC*

PARKER, WAGONER & ROCHE, PLLC  
Laurinburg, North Carolina

January 20, 2016

## 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, 2015. 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

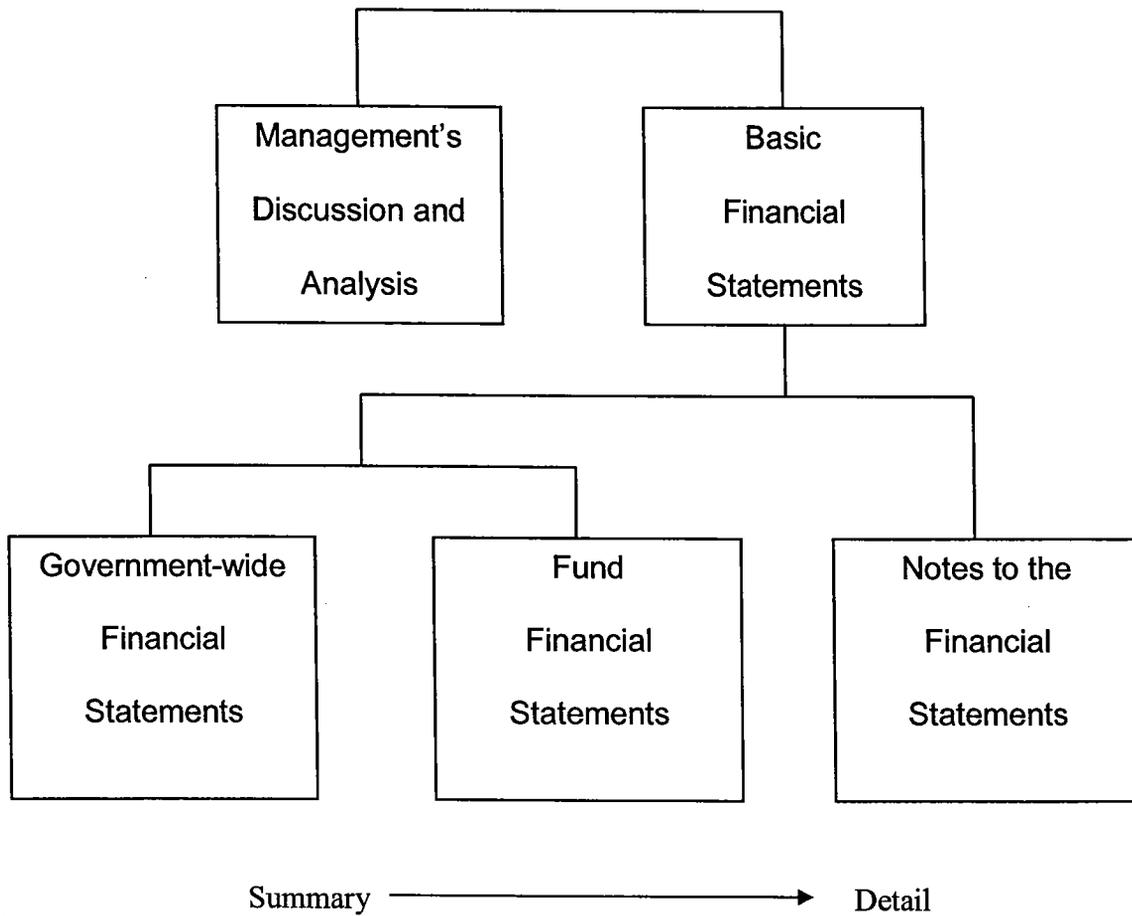
- The assets and deferred outflows of resources of Scotland County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$12,437,411 (*net position, exhibit 1*).
- The government's total net position increased by \$2,408,166 primarily due to increased tax collections, 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 \$13,085,384 (*exhibit 3*) an increase of \$1,138,120 in comparison with the prior year. Approximately 61.92 percent of this total amount, or \$8,103,029 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 \$8,432,148 or 20.61 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. 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.

The final category is the component units. 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 and Scotland County Tourism Development Authority are legally separate entities from the County. However, the County appoints members to each of these Boards. Scotland County ABC Board is legally separate from the County, however the County is financially accountable for the board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

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 nine 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 63 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 \$12,437,411 as of June 30, 2015. The County's net position increased by \$2,408,166 for the fiscal year ended June 30, 2015. One of the largest portions \$11,526,034 (92.67)% 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 \$4,757,729 38.25% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(3,846,352) (30.92)% is unrestricted.

**Scotland County's Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 18,572,792	\$ 17,076,225	\$ 826,119	\$ 901,059	\$ 19,398,911	\$ 17,977,284
Capital assets	10,281,145	9,722,370	8,553,667	8,758,275	18,834,812	18,480,645
Total assets	28,853,937	26,798,595	9,379,786	9,659,334	38,233,723	36,457,929
Total deferred outflows of resources	715,859	-	24,572	-	740,431	-
Long-term liabilities outstanding	14,604,736	15,178,746	8,200,440	8,318,147	22,805,176	23,496,893
Other liabilities	1,107,916	1,235,827	66,925	123,461	1,174,841	1,359,288
Total liabilities	15,712,652	16,414,573	8,267,365	8,441,608	23,980,017	24,856,181
Total deferred inflows of resources	2,483,800	179,916	72,926	-	2,556,726	179,916
Net position:						
Net investment in capital assets	9,153,252	8,560,657	2,372,782	2,565,250	11,526,034	11,125,907
Restricted	4,757,729	3,806,306	-	-	4,757,729	3,806,306
Unrestricted	(2,537,637)	(2,162,857)	(1,308,715)	(1,347,524)	(3,846,352)	(3,510,381)
Total net position	\$ 11,373,344	\$ 10,204,106	\$ 1,064,067	\$ 1,217,726	\$ 12,437,411	\$ 11,421,832

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 94.52% 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	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,915,032	\$ 2,826,902	\$ 2,717,852	\$ 2,543,154	\$ 5,632,884	\$ 5,370,056
Operating grants and contributions	8,114,459	8,070,053	-	-	8,114,459	8,070,053
Capital grants	3,126,136	2,209,697	-	-	3,126,136	2,209,697
<b>General revenues:</b>						
Property taxes	22,306,333	21,909,112	-	-	22,306,333	21,909,112
Local option sales tax	5,822,427	5,531,033	-	-	5,822,427	5,531,033
Other taxes	380,136	395,786	-	-	380,136	395,786
Interest investment earnings	18,657	17,483	-	-	18,657	17,483
Other	581,198	662,024	-	-	581,198	662,024
<b>Total revenues</b>	<b>43,264,378</b>	<b>41,622,090</b>	<b>2,717,852</b>	<b>2,543,154</b>	<b>45,982,230</b>	<b>44,165,244</b>
<b>Expenses:</b>						
General government	2,629,528	2,442,476	-	-	2,629,528	2,442,476
Public safety	7,996,743	7,500,353	-	-	7,996,743	7,500,353
Economic and physical development	4,519,464	264,183	-	-	4,519,464	264,183
Central services	1,456,078	1,673,816	-	-	1,456,078	1,673,816
Human services	11,240,364	10,991,516	-	-	11,240,364	10,991,516
Cultural and recreation	1,133,967	2,490,633	-	-	1,133,967	2,490,633
Other expenditures	-	232,803	-	-	-	232,803
Education	11,453,783	11,292,010	-	-	11,453,783	11,292,010
Revaluation	84,457	605,496	-	-	84,457	605,496
Interest on long-term debt	229,946	197,437	-	-	229,946	197,437
Solid waste	-	-	1,553,949	1,503,940	1,553,949	1,503,940
Water district I	-	-	660,542	663,385	660,542	663,385
Water district II	-	-	615,243	626,480	615,243	626,480
<b>Total expenses</b>	<b>40,744,330</b>	<b>37,690,723</b>	<b>2,829,734</b>	<b>2,793,805</b>	<b>43,574,064</b>	<b>40,484,528</b>
Increase (decrease) in net position before transfers	2,520,048	3,931,367	(111,882)	(250,651)	2,408,166	3,680,716
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	2,520,048	3,931,367	(111,882)	(250,651)	2,408,166	3,680,716
Net position beginning	10,204,106	6,272,739	1,217,726	1,468,377	11,421,832	7,741,116
Net position, beginning, restated	8,853,296	-	1,175,949	-	10,029,245	-
<b>Net position ending</b>	<b>\$11,373,344</b>	<b>\$10,204,106</b>	<b>\$ 1,064,067</b>	<b>\$1,217,726</b>	<b>\$ 12,437,411</b>	<b>\$ 11,421,832</b>

**Governmental activities.** Governmental activities increased the County's net position by \$2,520,048. The increase was due to increased tax collections and grant revenues. The County was also able to stay under budget on expenditures.

**Business-type activities:** Business-type activities decreased Scotland County's net position by \$111,882. 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 \$8,396,738, while total fund balance reached \$11,577,584. 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 20.52% of general fund expenditures, while total fund balance represents 20.48% of that same amount.

At June 30, 2015, the governmental funds of Scotland County reported a combined fund balance of \$13,085,384 a 9.53 percent increase over last year. The primary reason for the increase is increase in grant and tax revenues and an overall strategy to reduce expenditures.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted revenues by \$2,049,925.

**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 \$(2,557,143) and those for the Water District I Fund equaled \$1,117,187, and those for the Water District II Fund equaled 131,241. The total change in net position for these funds was \$(104,247), \$5,238 and \$(12,873), 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, 2015 totals \$18,834,812 (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 and transfer station for the Public Safety Dept.
- Purchase of communication equipment and furniture for the 911 center.
- Purchase of vehicles and equipment for the General Fund.
- Purchase of transfer station platform and vehicles for the Solid Waste Fund.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 126,959	\$ 282,903	\$ 314,334	\$ 314,334	\$ 441,293	\$ 597,237
Buildings and system	7,814,030	5,788,497	7,906,679	8,129,308	15,720,709	13,917,805
Machinery and equipment	1,606,870	304,481	284,173	304,741	1,891,043	609,222
Vehicles and motorized equipment	733,286	988,202	48,483	9,893	781,769	998,095
Construction in progress	-	2,358,287	-	-	-	2,358,287
<b>Total</b>	<b>\$10,281,145</b>	<b>\$ 9,722,370</b>	<b>\$ 8,553,669</b>	<b>\$8,758,276</b>	<b>\$ 18,834,814</b>	<b>\$ 18,480,646</b>

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, 2015 Scotland County had total bonded debt outstanding of \$10,702,000 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 4,589,000	\$ 5,602,000	\$ 6,113,000	\$6,242,500	\$ 10,702,000	\$ 11,844,500
Installment purchases	2,927,893	3,261,713	67,885	134,361	2,995,778	3,396,074
<b>Total</b>	<b>\$ 7,516,893</b>	<b>\$ 8,863,713</b>	<b>\$ 6,180,885</b>	<b>\$6,376,861</b>	<b>\$ 13,697,778</b>	<b>\$ 15,240,574</b>

Scotland County's total debt decreased by \$1,542,796 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 \$159,275,435.

Additional information regarding Scotland County's long-term debt can be found in Note 7a. beginning on Page 57 of 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 11.7% is higher than the state average of 5.9% as of July 2015. However, this is a reduction from last year's unemployment rates of 12.7% for the County and 6.9% for the state.
- In June 2015, BlueScope Buildings North America announced an expansion that is expected to add \$9.2 million in investment and create 115 new jobs over the next three years.

### **Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** Property taxes are expected to remain at \$1.03 per \$100 valuation. The Fire Service tax is also expected to remain at \$0.05 per \$100 valuation for properties outside the corporate limits of Wagram, Gibson and Laurinburg.

Budgeted expenditures in the General Fund are expected to rise approximately 5.0% to \$40,405,864. The largest increments are in employee compensation, including funding compensation and benefit adjustments and an increase in school funding.

**Business-type Activities:** The base water rates in the County will increase by 15%, primarily to cover increased costs of operations. The increase in revenue will cover repairs to the water tanks over the next several years as well as cover the cost of water purchased from the City of Laurinburg.

An availability fee of \$55 and \$85 will be assessed to all residents and businesses located in the City and County, respectively. The revenue from these fees will be used to cover costs associated with the future closing of the landfill and with equipment purchases necessary to operate the landfill.

### **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, Finance Officer, Scotland County, PO Box 489, Laurinburg, NC 28353-0489. You may also call 910-277-2406, visit our website at [www.scotlandcounty.org](http://www.scotlandcounty.org) or send an email to [bhobbs@scotlandcounty.org](mailto:bhobbs@scotlandcounty.org) for more information.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Scotland County, North Carolina  
Statement of Net Position  
June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business- type Activities	Total	Scotland County ABC Board	Scotland Co. Historic Properties Commission	Scotland Co. Tourism Development Authority
<b>ASSETS</b>						
Cash and cash equivalents	9,800,357	1,077,566	10,877,923	154,130	46,397	163,786
Inventory	-	-	-	181,144	-	-
Receivables (net):						
Taxes	3,494,249	-	3,494,249	-	-	-
Accounts	759,484	206,089	965,573	-	-	-
Due from other governments	1,373,980	109,035	1,483,015	-	-	-
Due (to) from other funds	596,106	(596,106)	-	-	-	-
Prepaid expenses	11,591	-	11,591	1,890	-	5,995
Restricted cash	1,582,097	-	1,582,097	-	35,314	-
Net pension asset	954,928	29,535	984,463	14,744	-	-
Capital assets:						
Land, improvements and construction in progress	126,959	314,334	441,293	19,000	291,053	-
Other capital assets, net of depreciation	10,154,186	8,239,333	18,393,519	81,205	364,179	-
Total capital assets	10,281,145	8,553,667	18,834,812	100,205	655,232	-
Total assets	28,853,937	9,379,786	38,233,723	452,113	736,943	169,781
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	715,859	24,572	740,431	9,952	-	-
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	1,107,916	66,925	1,174,841	150,674	-	2,900
Long-term liabilities:						
Due within one year	1,332,177	202,385	1,534,562	-	-	-
Due in more than one year	13,272,559	7,998,055	21,270,614	-	-	-
Total long-term liabilities	14,604,736	8,200,440	22,805,176	-	-	-
Total liabilities	15,712,652	8,267,365	23,980,017	150,674	-	2,900
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid taxes	35,410	-	35,410	-	-	-
Government grants	90,438	-	90,438	-	-	-
Pension deferrals	2,357,952	72,926	2,430,878	35,707	-	-
Total deferred inflows of resources	2,483,800	72,926	2,556,726	35,707	-	-
<b>NET POSITION</b>						
Net investment in capital assets	9,153,252	2,372,782	11,526,034	100,205	655,232	-
Restricted for:						
Fire protection	1,356,193	-	1,356,193	-	-	-
Emergency telephone	181,086	-	181,086	-	-	-
Rehabilitation	10,167	-	10,167	-	-	-
Cultural and recreation	-	-	-	-	35,314	-
Stabilization by State statute	3,210,283	-	3,210,283	-	-	-
Working capital	-	-	-	53,654	-	-
Unrestricted	(2,537,637)	(1,308,715)	(3,846,352)	121,825	46,397	166,881
Total net position	<u>\$ 11,373,344</u>	<u>\$ 1,064,067</u>	<u>\$ 12,437,411</u>	<u>\$ 275,684</u>	<u>\$ 736,943</u>	<u>\$ 166,881</u>

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, 2015

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	Historic Properties Commission	Scotland County Tourism Development Authority
Primary government:										
Governmental activities:										
General government	2,629,528	577,327	-	-	(2,052,201)	-	(2,052,201)	-	-	-
Public safety	7,996,743	1,556,289	-	-	(6,440,454)	-	(6,440,454)	-	-	-
Economic and physical development	4,519,464	-	264,000	3,126,136	(1,129,328)	-	(1,129,328)	-	-	-
Central service	1,456,078	-	-	-	(1,456,078)	-	(1,456,078)	-	-	-
Human services	11,240,364	51,053	7,850,459	-	(3,338,852)	-	(3,338,852)	-	-	-
Cultural and recreational	1,133,967	227,233	-	-	(906,734)	-	(906,734)	-	-	-
Education	11,453,783	503,130	-	-	(10,950,653)	-	(10,950,653)	-	-	-
Rehabilitation	84,457	-	-	-	(84,457)	-	(84,457)	-	-	-
Interest on long-term debt	229,946	-	-	-	(229,946)	-	(229,946)	-	-	-
Total governmental activities	40,744,330	2,915,032	8,114,459	3,126,136	(26,588,703)	-	(26,588,703)	-	-	-
Business-type activities:										
Public Works	1,553,949	1,449,702	-	-	-	(104,247)	(104,247)	-	-	-
Water District Phase I	660,542	665,780	-	-	-	5,238	5,238	-	-	-
Water District Phase II	615,243	602,370	-	-	-	(12,873)	(12,873)	-	-	-
	2,829,734	2,717,852	-	-	-	(111,882)	(111,882)	-	-	-
Component units:										
ABC Board	1,395,049	1,395,019	-	-	-	-	-	(30)	-	-
Historic Properties	51,701	-	18,000	12,128	-	-	-	-	(21,573)	-
Scotland County Tourism Development	286,434	-	-	-	-	-	-	-	-	(286,434)
Total component units	1,733,184	1,395,019	18,000	12,128	-	-	-	(30)	(21,573)	(286,434)

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, 2015

	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	\$22,306,333	\$ -	\$ 22,306,333	\$ -	\$ -	\$ -
Local option sales tax	5,822,427	-	5,822,427	-	-	332,325
Other taxes and licenses	380,136	-	380,136	-	-	-
Investment earnings, unrestricted	18,657	-	18,657	30	670	-
Miscellaneous, unrestricted	581,198	-	581,198	54,000	12,472	-
<b>Total general revenues, special items, and transfers</b>	<b>29,108,751</b>	<b>-</b>	<b>29,108,751</b>	<b>54,030</b>	<b>13,142</b>	<b>332,325</b>
Change in net position	2,520,048	(111,882)	2,408,166	54,000	(8,431)	45,891
Net position-beginning as previously reported	10,204,106	1,217,726	11,421,832	241,664	745,374	120,990
Restatement	(1,350,810)	(41,777)	(41,777)	(19,980)	-	-
Net position beginning, as restated	8,853,296	1,175,949	1,175,949	221,684	745,374	120,990
<b>Net position-ending</b>	<b>\$11,373,344</b>	<b>\$1,064,067</b>	<b>\$12,437,411</b>	<b>\$275,684</b>	<b>\$736,943</b>	<b>\$166,881</b>

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

Scotland County, North Carolina  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2015

	Major	Non-Major	
		Other	
	General	Governmental	Total
	Funds	Funds	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,587,323	\$ 213,034	\$ 9,800,357
Restricted cash	-	1,582,097	1,582,097
Receivables (net)			
Taxes	3,432,591	61,658	3,494,249
Accounts	759,487	-	759,487
Prepaid expense	5,111	6,481	11,592
Due from other governments	1,304,023	69,957	1,373,980
Due from (to) other funds	916,696	(320,591)	596,105
Total assets	<u>\$ 16,005,231</u>	<u>\$ 1,612,636</u>	<u>\$ 17,617,867</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	1,064,737	43,178	1,107,915
Total liabilities	<u>1,064,737</u>	<u>43,178</u>	<u>1,107,915</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	3,237,062	61,658	3,298,720
Accounts receivable	90,438	-	90,438
Prepaid taxes	35,410	-	35,410
Total deferred inflows of resources	<u>3,362,910</u>	<u>61,658</u>	<u>3,424,568</u>
<b>FUND BALANCES</b>			
<b>Nonspendable:</b>			
Prepaid expenses	5,111	6,481	11,592
<b>Restricted:</b>			
Stabilization by State statute	3,140,325	69,958	3,210,283
Fire protection	-	1,356,193	1,356,193
Emergency telephone	-	181,086	181,086
Rehabilitation	-	10,167	10,167
<b>Committed:</b>			
Tax revaluation	-	213,034	213,034
<b>Unassigned:</b>			
Total fund balances	<u>11,577,584</u>	<u>1,507,800</u>	<u>13,085,384</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,005,231</u>	<u>\$ 1,612,636</u>	

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

Total fund balance, governmental funds	13,085,384
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,281,145
Net pension asset	954,928
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	715,859
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	3,298,720
Deferred inflows of resources for taxes and special assessments receivable.	
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.	(14,604,740)
Pension related deferrals	<u>(2,357,952)</u>
Net position of governmental activities	<u>\$ 11,373,344</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, 2015

	Major	Non-Major	
	General Fund	Other Governmental Funds	Total
<b>REVENUES</b>			
Ad valorem taxes	\$ 22,138,144	\$ 582,692	\$ 22,720,836
Local option sales taxes	5,552,878	269,549	5,822,427
Other taxes and licenses	61,379	230,729	292,108
Unrestricted intergovernmental	179,621	-	179,621
Restricted intergovernmental	10,173,565	-	10,173,565
Permits and fees	371,808	-	371,808
Sales and services	1,687,005	-	1,687,005
Investment earnings	12,654	6,003	18,657
Fines, forfeitures	205,519	-	205,519
Grants	-	626,136	626,136
Miscellaneous	1,752,715	-	1,752,715
Total revenues	<u>42,135,288</u>	<u>1,715,109</u>	<u>43,850,397</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,122,392	-	2,122,392
Public safety	7,413,549	497,789	7,911,338
Economic & physical development	4,116,016	-	4,116,016
Central service	1,651,352	-	1,651,352
Human services	11,205,206	-	11,205,206
Cultural and recreational	1,018,319	-	1,018,319
Intergovernmental:			
Education	11,640,343	-	11,640,343
Other expenditures	170,256	168,494	338,750
Rehabilitation	-	85,833	85,833
Capital outlay	-	1,032,259	1,032,259
Debt service:			
Principal retirement	1,346,820	-	1,346,820
Interest	233,691	-	233,691
Total expenditures	<u>40,917,944</u>	<u>1,784,375</u>	<u>42,702,319</u>
Excess of revenues over (under) expenditures	1,217,344	(69,266)	1,148,078
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (to) other funds	(75,000)	(9,958)	(84,958)
Transfers from other funds	-	75,000	75,000
Total other financing sources (uses)	<u>(75,000)</u>	<u>65,042</u>	<u>(9,958)</u>
Net change in fund balance	1,142,344	(4,224)	1,138,120
Fund balances - beginning	<u>10,435,240</u>	<u>1,512,024</u>	<u>11,947,264</u>
Fund balances - ending	<u>\$ 11,577,584</u>	<u>\$ 1,507,800</u>	<u>\$ 13,085,384</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, 2015

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

Net changes in fund balances - total governmental funds	\$ 1,138,120
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.	720,332
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(161,558)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	715,859
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(414,501)
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.	1,346,820
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(825,024)</u>
Total changes in net position of governmental activities	<u>\$ 2,520,048</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, 2015

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 20,590,258	\$ 22,792,937	\$ 22,138,144	\$ (654,793)
Local option sales taxes	5,201,656	5,417,347	5,552,878	135,531
Other taxes and licenses	90,000	62,000	61,379	(621)
Unrestricted intergovernmental	90,000	178,028	179,621	1,593
Restricted intergovernmental	10,290,717	9,568,333	10,173,565	605,232
Permits and fees	304,690	342,145	371,808	29,663
Sales and services	1,329,205	1,487,001	1,687,005	200,004
Investment earnings	10,650	10,650	12,654	2,004
Fines, forfeitures	275,000	299,788	205,519	(94,269)
Miscellaneous	398,912	472,784	1,752,715	1,279,931
Total revenues	38,581,088	40,631,013	42,135,288	1,504,275
<b>Expenditures:</b>				
<b>Current:</b>				
General government	2,482,726	3,886,902	2,122,392	1,764,510
Public safety	7,803,025	8,169,921	7,413,549	756,372
Economic and physical development	102,649	1,639,687	4,116,016	(2,476,329)
Central services	2,065,000	1,873,474	1,651,352	222,122
Human services	11,461,463	12,393,268	11,205,206	1,188,062
Cultural and recreational	1,135,521	1,169,527	1,018,319	151,208
Other expenditures	620,658	170,328	170,256	72
<b>Intergovernmental:</b>				
Education	11,601,294	11,686,524	11,640,343	46,181
<b>Debt service:</b>				
Principal retirement	1,013,000	1,452,446	1,346,820	105,626
Interest	295,752	233,691	233,691	-
Total expenditures	38,581,088	42,675,768	40,917,944	1,757,824
Excess of revenues over (under) expenditures	-	(2,044,755)	1,217,344	3,262,099
<b>Other financing sources (uses):</b>				
Transfers (to) other funds	-	(75,000)	(75,000)	-
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	-	(75,000)	(75,000)	-
Total other financing sources	-	(75,000)	(75,000)	-
Appropriated fund balance	-	2,119,755	-	2,119,755
Net change in fund balance	\$ -	\$ -	1,142,344	\$ 1,142,344
Fund balances - beginning			10,435,240	
Fund balances - ending			<u>\$ 11,577,584</u>	

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

Scotland County, North Carolina  
**Statement of Net Position**  
**Proprietary Funds**  
June 30, 2015

	Enterprise Funds			Total
	Public Works Fund	Blended Component Units		
		Water District I Fund	Water District II Fund	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 475	\$ 1,028,610	\$ 48,481	\$ 1,077,566
Accounts receivable, net	96,959	58,435	50,694	206,088
Due from other governments	24,642	51,977	32,416	109,035
Total current assets	122,076	1,139,022	131,591	1,392,689
Noncurrent assets:				
Net pension asset	19,690	9,845	-	29,535
Capital assets:				
Land, improvements & const. in progress	314,334	-	-	314,334
Other capital assets, net of depreciation	442,465	2,407,714	5,389,154	8,239,333
Total capital assets	756,799	2,407,714	5,389,154	8,553,667
Total assets	898,565	3,556,581	5,520,745	9,975,891
Deferred outflows of resources				
pension deferrals	22,684	1,888	-	24,572
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	61,302	5,273	350	66,925
Installment financing	67,885	-	-	67,885
General obligation bonds payable	-	46,500	88,000	134,500
Due to other funds	596,106	-	-	596,106
Total current liabilities	725,293	51,773	88,350	865,416
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,782,628	-	-	1,782,628
Other post employment benefits	203,074	-	-	203,074
Compensated absences payable	29,865	3,987	-	33,852
General obligation bonds payable	-	1,578,000	4,400,500	5,978,500
Total noncurrent liabilities	2,015,567	1,581,987	4,400,500	7,998,054
Total liabilities	2,740,860	1,633,760	4,488,850	8,863,470
Deferred inflows of resources				
pension deferrals	48,618	24,308	-	72,926
<b>NET POSITION</b>				
Net investment in capital assets	688,914	783,214	900,654	2,372,782
Unrestricted	(2,557,143)	1,117,187	131,241	(1,308,715)
Total net position	\$(1,868,229)	\$ 1,900,401	\$ 1,031,895	\$ 1,064,067

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, 2015

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District I Fund	Water District II Fund	
Operating revenues:				
Charges for services	\$ 1,265,336	\$ 665,780	\$ 602,370	\$ 2,533,486
Other operating revenues	<u>184,366</u>	<u>-</u>	<u>-</u>	<u>184,366</u>
Total operating revenues	1,449,702	665,780	602,370	2,717,852
Operating expenses:				
Water purchases	-	285,586	114,442	400,028
Water operations	-	179,497	122,691	302,188
Landfill operations	1,433,055	-	-	1,433,055
Landfill closure and postclosure care costs	48,222	-	-	48,222
Depreciation	<u>69,824</u>	<u>114,095</u>	<u>183,736</u>	<u>367,655</u>
Total operating expenses	1,551,101	579,178	420,869	2,551,148
Operating income (loss)	(101,399)	86,602	181,501	166,704
Nonoperating (expenses):				
Interest	<u>(2,848)</u>	<u>(81,364)</u>	<u>(194,374)</u>	<u>(278,586)</u>
Total nonoperating (expenses)	(2,848)	(81,364)	(194,374)	(278,586)
Change in net position	(104,247)	5,238	(12,873)	(111,882)
Total net position - beginning as previously reported	(1,736,131)	1,909,089	1,044,768	1,217,726
Restatement	<u>(27,851)</u>	<u>(13,926)</u>	<u>-</u>	<u>(41,777)</u>
Net position - beginning as restated	<u>(1,763,982)</u>	<u>1,895,163</u>	<u>1,044,768</u>	<u>1,175,949</u>
Net position - ending	<u><u>\$(1,868,229)</u></u>	<u><u>\$1,900,401</u></u>	<u><u>\$1,031,895</u></u>	<u><u>\$1,064,067</u></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, 2015

	Business-type Activities			Totals
	Enterprise Funds			
	Public Works Fund	Water District I Fund	Water District II Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 1,471,190	\$ 665,502	\$ 588,072	\$ 2,724,764
Cash paid for goods and services	(988,039)	(442,616)	(237,288)	(1,667,943)
Cash paid to or on behalf of employees for services	(471,311)	(45,468)	-	(516,779)
Net cash provided by operating activities	11,840	177,418	350,784	540,042
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase (decrease) in due to (from) other funds	220,532	22,929	(22,929)	220,532
Total cash flows provided by (used in) financing activities	220,532	22,929	(22,929)	220,532
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(163,048)	-	-	(163,048)
Interest paid on bond maturities and equipment contracts	(2,848)	(81,364)	(194,374)	(278,586)
Principal paid on bond maturities and equipment contracts	(66,476)	(44,500)	(85,000)	(195,976)
Net cash (used in) capital and related financing activities	(232,372)	(125,864)	(279,374)	(637,610)
Net increase in cash and cash equivalents	-	74,483	48,481	122,964
Balances - beginning of the year	475	954,127	-	954,602
Balances - end of the year	<u>\$ 475</u>	<u>\$ 1,028,610</u>	<u>\$ 48,481</u>	<u>\$ 1,077,566</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, 2015

	Business-type Activities			Totals
	Enterprise Funds			
	Public Works Fund	Water District I Fund	Water District II Fund	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (101,399)	\$ 86,602	\$ 181,501	\$ 166,704
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	69,824	114,095	183,736	367,655
Pension expense	1,077	537	-	-
Changes in assets, liabilities and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	22,423	(278)	(14,298)	7,847
Provision for uncollectible accounts	(937)	331	1,795	1,189
Landfill closure and postclosure care costs	48,222	-	-	48,222
(Decrease) in accounts payable and accrued liabilities	(34,224)	(21,981)	(1,950)	(58,155)
(Decrease) in accrued vacation pay	(1,048)	-	-	(1,048)
(Increase) in deferred outflows of resources for pensions	(22,684)	(1,888)	-	-
Increase in OPEB payable	<u>30,586</u>	<u>-</u>	<u>-</u>	<u>30,586</u>
Total adjustment	113,239	90,816	169,283	373,338
Net cash provided by operating activities	<u>\$ 11,840</u>	<u>\$ 177,418</u>	<u>\$ 350,784</u>	<u>\$ 540,042</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, 2015

	Agency Fund
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 269,877</u>
<b>Liabilities</b>	
Miscellaneous liabilities	<u>\$ 269,877</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, 2015**

**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 *Districts*) 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 (*the Commission*), Scotland County ABC Board (*the Board*), and Scotland County Tourism Development Authority (*the TDA*), 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 Motor Vehicle Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County, but that are not revenues to the County; the Inmate Trust Fund, which accounts for funds deposited by individuals to an incarcerated inmate's account and are disbursed at the discretion of the inmate; the Tourism Development Fund, which accounts for funds collected and disbursed for room occupancy tax, which is a legislatively enacted tax, and is used for tourism; the Parks and Recreation Fund, which accounts for refundable deposits collected for the rental of various parks and recreation facilities; the Concealed Weapons Fee Fund, which accounts for the State's portion of concealed carry permits charged and collected by the County, but that are not revenues to the County; the Register of Deeds Fund, which accounts for fees collected for deed services; and is remitted to the State treasurer on a monthly basis; the Library Fund, which accounts for funds that were attached to the library when it was a separate entity from the County. These funds are not considered County revenues and are expended on items that benefit the library outside the scope of normal operating parameters.

*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 beer and wine 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. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. 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 83 for restricted purposes.

#### **Scotland County Restricted Cash**

Governmental Activities:	
Fire Service District Fund	1,356,194
Emergency Telephone Fund	215,736
North Carolina Housing Finance	4,130
CDBG	<u>6,037</u>
	<u>1,582,097</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, 2014. 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.

The County holds title to certain Scotland County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Scotland County Board of Education.

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	5
Computer software	5
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

Capital assets of the Historic Properties Commission are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Buildings	50
Improvements	30
Equipment and furniture	10
Vehicles	6
Computer Equipment	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 several items that meet this criterion – pension related deferrals and contributions made to the pension plan in the current fiscal year. 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 three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and other pension related deferrals.

### **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 on the statements of net position.

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

### **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. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide, proprietary funds, and the ABC Board financial statements. 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 neither the County nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

### **10. Net Position/Fund Balances**

#### **Net Position**

Net position in government-wide and proprietary fund financial statements is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either (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 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 Rehabilitation - portion of fund balance that is restricted by revenue source for fire protection 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.

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

## **11. Defined Benefit Pension Plans**

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State, Local Governmental Employee’s Retirement System (LGERS) and the Registers of Deeds’ Supplemental Pension Fund (RODSPF) (collectively, the “state administered defined benefit pension plans”). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plan’s fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County’s employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

**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 total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$1,712,040) consists of the following:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 20,266,444
Less accumulated depreciation	<u>(9,985,299)</u>
Net capital assets	10,281,145
Net pension asset	954,928
Contributions to the pension plan in the current fiscal year	715,859
Deferred inflows of resources reported in the government-wide statements but not the fund statements	
Deferred inflows of resources for taxes and special assessments receivable	3,298,720
Pension related deferrals	(2,357,952)
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	(7,516,898)
Compensated absences	(890,249)
Other post-employment benefits	<u>(6,197,593)</u>
Total adjustment	<u>\$ (1,712,040)</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 for the governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. Total adjustment of \$1,381,928 is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities.	\$ 1,590,284
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.	(869,952)
Cost of capital asset disposed of during the year, not recognized on modified accrual.	(161,558)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Position in the government-wide statements.	1,346,820
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	715,859
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	(51,436)
Other postemployment benefits	(721,374)
County's portion of collective pension expense	(52,214)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	
Decrease in deferred inflows of resources - taxes receivable - at year end	(414,501)
Total adjustment	<u>\$ 1,381,928</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, 2015 in the amount of (\$1,861,986). A corrective action plan has been outlined in the compliance section of this report. (See significant deficiency 2015-1 in the Schedule of Findings and Questioned Costs).

The 911 Building Project Fund has a negative Net Position as of June 30, 2015 in the amount of (\$329,119). A corrective action plan has been outlined in the compliance section of this report. (See significant deficiency 2015-1 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's, Tourism Development Authority's, 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, 2015, the County’s deposits had a carrying amount of \$3,557,732 and a bank balance of \$2,235,997. Of the bank balance \$342,028 was covered by federal depository insurance, and \$1,774,870 in non-interest bearing deposits and \$119,099 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2015, Scotland County had \$2,630 cash on hand.

At June 30, 2015, the carrying amount of deposits for Scotland County ABC Board was \$154,130 and the bank balance was \$177,450. All of the bank balance was covered by federal depository insurance.

At June 30, 2015, the carrying amount of deposits for Scotland County Historic Properties Commission was \$81,711 and the bank balance was \$82,570. All of the bank balance was covered by federal depository insurance.

At June 30, 2015, the carrying amount of deposits for Scotland County Tourism Development Authority was \$163,786 and the bank balance was \$163,786. 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, 2015, the County’s investments consisted of \$10,751,632 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.

The Historic Properties Commission, the ABC Board and the Tourism Development Authority have no investments.

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

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

<u>Year</u> <u>Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2011	668,690	38,450	707,140
2012	748,441	43,035	791,476
2013	807,023	46,404	853,427
2014	816,694	46,960	863,654
2015	<u>823,779</u>	<u>43,367</u>	<u>871,146</u>
Totals	<u>3,864,627</u>	<u>218,216</u>	<u>4,086,843</u>

#### 4. Receivables

Receivables at the government-wide level at June 30, 2015, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from other Governments	Total
<b>Governmental activities:</b>				
General	\$ 759,487	\$ 3,674,912	\$ 1,304,023	\$ 5,738,422
Other governmental	-	-	69,958	69,958
<b>Total receivables</b>	<b>759,487</b>	<b>3,674,912</b>	<b>1,373,981</b>	<b>5,808,380</b>
Allowance for doubtful accounts	-	(180,663)	-	(180,663)
<b>Total - governmental activities</b>	<b>\$ 759,487</b>	<b>\$ 3,494,249</b>	<b>\$ 1,373,981</b>	<b>\$ 5,627,717</b>
<b>Business-type activities:</b>				
Public works	\$ 108,940	\$ -	\$ 24,642	\$ 133,582
Water district I	65,656	-	51,977	117,633
Water district II	56,958	-	32,416	89,374
<b>Total receivables</b>				
Allowance for doubtful accounts	(25,469)	-	-	(25,469)
<b>Total - business-type activities</b>	<b>\$ 206,085</b>	<b>\$ -</b>	<b>\$ 109,035</b>	<b>\$ 315,120</b>

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

Local option sales tax/sales tax refunds	\$ 1,053,650
Due from local government/City of Laurinburg	85,393
Due from grantors	343,972
	<u>\$ 1,483,015</u>

#### 5. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 282,903	\$ -	\$ 155,944	\$ 126,959
Construction in progress	2,358,287	-	2,358,287	-
<b>Total capital assets not being depreciated</b>	<b>2,641,190</b>	<b>-</b>	<b>2,514,231</b>	<b>126,959</b>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	10,564,940	2,514,922	170,692	12,909,170
Equipment	2,099,586	1,257,238	314,190	3,042,634
Vehicles and motor equipment	4,065,158	176,412	53,889	4,187,681
<b>Total capital assets being depreciated</b>	<b>16,729,684</b>	<b>3,948,572</b>	<b>538,771</b>	<b>20,139,485</b>
Less accumulated depreciation for:				
Buildings & improvements	4,776,443	489,389	170,692	5,095,140
Equipment	1,560,007	184,333	308,576	1,435,764
Vehicles and motor equipment	3,312,054	196,230	53,889	3,454,395
<b>Total accumulated depreciation</b>	<b>9,648,504</b>	<b>869,952</b>	<b>533,157</b>	<b>9,985,299</b>
<b>Total capital assets being depreciated, net</b>	<b>7,081,180</b>			<b>10,154,186</b>
<b>Governmental activity capital assets, net</b>	<b>\$ 9,722,370</b>			<b>\$ 10,281,145</b>

#### **Primary Government**

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

General government	\$ 405,010
Public safety	303,582
Central service	88,350
Human services	73,011
<b>Total depreciation expense</b>	<b>\$ 869,953</b>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Landfill</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 314,334	\$ -	\$ -	\$ 314,334
<b>Capital assets being depreciated:</b>				
Buildings	867,187	-	-	867,187
Improvements	260,366	84,000	-	344,366
Furniture and maintenance equipment	2,194,321	31,213	43,340	2,182,194
Vehicles	272,804	47,835	37,835	282,804
Total capital assets being depreciated	<u>3,594,678</u>	<u>163,048</u>	<u>81,175</u>	<u>3,676,551</u>
Less accumulated depreciation for:				
Buildings	840,117	5,303	-	\$ 845,420
Improvements	245,023	4,355	-	249,378
Furniture and maintenance equipment	1,897,929	50,377	43,340	1,904,966
Vehicles	262,367	9,789	37,835	234,321
Total accumulated depreciation	<u>3,245,436</u>	<u>\$ 69,824</u>	<u>\$ 81,175</u>	<u>3,234,085</u>
Total capital assets being depreciated, net	<u>349,242</u>			<u>442,466</u>
<b>Landfill capital assets, net</b>	<u>\$ 663,576</u>			<u>\$ 756,800</u>
<b>Scotland County Water District I</b>				
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	4,529,450	-	-	\$ 4,529,450
Furniture and maintenance equipment	8,592	-	-	8,592
Total capital assets being depreciated	<u>4,538,042</u>	<u>-</u>	<u>-</u>	<u>4,538,042</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,015,444	113,236	-	2,128,680
Furniture and maintenance equipment	788	859	-	1,647
Total accumulated depreciation	<u>2,016,232</u>	<u>\$ 114,095</u>	<u>\$ -</u>	<u>2,130,327</u>
Total capital assets being depreciated, net	<u>2,521,810</u>			<u>2,407,715</u>
<b>Scotland County Water District I capital assets, net</b>	<u>\$ 2,521,810</u>			<u>\$ 2,407,715</u>
<b>Scotland County Water District II</b>				
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	\$ 7,349,440	\$ -	\$ -	\$ 7,349,440
Total capital assets being depreciated	<u>7,349,440</u>	<u>-</u>	<u>-</u>	<u>7,349,440</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,776,550	183,736	-	1,960,286
Total accumulated depreciation	<u>1,776,550</u>	<u>\$ 183,736</u>	<u>\$ -</u>	<u>1,960,286</u>
Total capital assets being depreciated, net	<u>5,572,890</u>			<u>5,389,154</u>
<b>Scotland County Water District II capital assets, net</b>	<u>5,572,890</u>			<u>5,389,154</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 8,758,276</u>			<u>\$ 8,553,669</u>

**Discretely presented component units:**

Activity for the ABC Board for the year ended June 30, 2015, 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	54,000	-	241,383
Furniture and equipment	72,113	-	-	72,113
Total capital assets being depreciated	<u>259,496</u>	<u>54,000</u>	<u>-</u>	<u>313,496</u>
Less accumulated depreciation for:				
Buildings	158,915	3,140	-	162,055
Furniture & Equipment	65,363	4,873	-	70,236
Total accumulated depreciation	<u>224,278</u>	<u>8,013</u>	<u>-</u>	<u>232,291</u>
Total capital assets being depreciated, net	<u>35,218</u>			<u>81,205</u>
Capital assets, net	<u>\$ 54,218</u>			<u>\$ 100,205</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 215,000	\$ -	\$ -	\$ 215,000
Artifacts	71,053	-	-	71,053
Historic buildings	5,000	-	-	5,000
Total capital assets not being depreciated	291,053	-	-	291,053
Capital assets being depreciated:				
Buildings	460,159	16,418	-	476,577
Furniture and equipment	233,751	-	-	233,751
Total capital assets being depreciated	693,910	16,418	-	710,328
Less accumulated depreciation				
Buildings	198,817	15,295	-	214,112
Equipment	122,592	9,445	-	132,037
Total accumulated depreciation	<u>321,409</u>	<u>24,740</u>	<u>-</u>	<u>346,149</u>
Total capital assets being depreciated, net	<u>372,501</u>			<u>364,179</u>
Commission capital assets, net	<u>\$ 663,554</u>			<u>\$ 655,232</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, 2015 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 449,106	\$ 615,631	\$ -	\$1,064,737
Other governmental	<u>43,178</u>	<u>-</u>	<u>-</u>	<u>43,178</u>
Total - governmental activities	<u>\$ 492,284</u>	<u>\$ 615,631</u>	<u>\$ -</u>	<u>\$1,107,915</u>
Business-type activities:				
Public works	\$ 41,504	\$ 19,798	\$ -	\$ 61,302
Water and sewer districts	<u>3,716</u>	<u>1,907</u>	<u>-</u>	<u>5,623</u>
Total - business-type activities	<u>\$ 45,220</u>	<u>\$ 21,705</u>	<u>\$ -</u>	<u>\$ 66,925</u>

## **2. Pension Plan Obligations**

### **a. Local Governmental Employees' Retirement System**

*Plan Description.* The County and the ABC Board are participating employers in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains on the plan.

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to

finance the costs off benefits earned by employees during the year. Contributions to the pension plan from the County were \$740,431 for the year ended June 30, 2015.

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

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

At June 30, 2015, the County reported an asset of \$971,567 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension asset was based on a projection of the County’s long-term share of future payroll covered by the pension plan relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County’s proportion was .165%, which was a decrease of .011% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$53,121. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ 106,161
Net difference between projected and actual earnings on pension plan investments	-	2,261,786
Changes in proportion and differences between contributions and proportionate share of contributions	-	31,086
County contributions subsequent to the measurement date	<u>730,731</u>	<u>-</u>
Total	<u>\$ 730,731</u>	<u>\$2,399,033</u>

\$730,731 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ ( 599,844)
2017	( 599,844)
2018	( 599,844)
2019	( 599,844)
2020	-
Thereafter	-

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

Inflation	3 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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

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

	1% Decrease <u>(6.25%)</u>	Discount Rate (7.25%)	1% Increase <u>(8.25%)</u>
County’s proportionate share of the net pension liability (asset)	3,297,919	971,567	4,566,336

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

*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 7.41% and 7.07%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 7.2% 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, 2015, 2014 and 2013 were \$740,431, \$700,967, and \$662,846, respectively. The ABC Board’s contributions to LGERS for the years ended June 30, 2015, 2014 and 2013 were \$9,952, \$24,722 and \$28,609, 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. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, 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>39</u>
Total	<u>44</u>

A separate report was not issued for the plan.

**2. Summary of Significant Accounting Policies:**

*Basis of Accounting.* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

*Method Used to Value Investments.* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

**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 \$51,842, or 3.2% 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, 2014 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.

*Annual Pension Cost and Net Pension Obligation.* The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 84,534
Interest on net pension obligation	4,164
Adjustment to annual required contribution	( 7,035)
Annual pension cost	81,663
Contributions made	<u>51,842</u>
Increase in net pension obligation	29,821
Net pension obligation beginning of year	<u>83,282</u>
Net pension obligation end of year	<u>\$113,103</u>

**3 Year Trend Information**

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	60,893	70.68%	65,179
2014	65,920	72.54%	83,282
2015	81,663	63.48%	113,103

**4. Funded Status and Funding Progress**

As of December 31, 2014 the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$755,503. The covered payroll (annual payroll of active employees covered by the plan) was \$1,616,734, and the ratio of the UAAL to the covered payroll was 46.73 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 are 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, 2015 were \$110,289, which consisted of \$70,774 from the County and \$39,515 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, 2015, 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, 2015 were \$330,172, which consisted of \$145,876 from the County and \$184,296 from the employees. The County's contributions and the employees' voluntary contributions represented 2.49 percent and 2.57 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, 2015, no match was authorized by the governing body of the County for employees' compensation to the Plan. Total employee contributions for the year ended June 30, 2015 was \$23,252.

**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 confined benefit plan administered by the North Carolina Department of

State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund 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 the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

*Contributions.* Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$9,685 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$12,896 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was .002%, which was a decrease of .000% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$705. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	1,409
Net difference between projected and actual earnings on pension plan investments	-	30,023
Changes in proportion and differences between county contributions and proportionate share of contributions	-	413
County contributions subsequent to the measurement date	<u>9,700</u>	<u>-</u>
Total	<u>9,700</u>	<u>31,845</u>

\$9,700 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pension expense as follows:

**Year ended June 30:**

2016	7,962
2017	7,962
2018	7,962
2019	7,962
2020	-
Thereafter	-

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

Inflation	3 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%.

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

*Discount rate.* The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease <u>(4.75%)</u>	Discount Rate <u>(5.75%)</u>	1% Increase <u>(6.75%)</u>
County's proportionate share of the net pension liability (asset)	43,776	12,896	.60,613

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

**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, 2015, the date of the latest actuarial valuation:

Active Members	
Law enforcement officers	34
General employees	230
Firefighters	14
Retired members	<u>120</u>
Total	<u>398</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 \$504.38 for EE/Spouse coverage, \$245.78 for EE/Child(ren) coverage, and \$858.90 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 14.24% of annual covered payroll. For the current year, the County contributed \$709,638 or 7.4% 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 27.31% and 19.25% of covered payroll, respectively. The County's contributions totaled \$709,638 in fiscal year 2015. There were no contributions made by employees, except for dependent coverage in the amount of \$174,343. 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 Fund and the Public Works Fund, 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 healthcare benefits:

Annual required contribution	1,421,830
Interest on net OPEB obligation	222,617
Adjustment to annual required contribution	<u>212,668</u>
Annual OPEB cost (expense)	1,431,779
Contributions made	<u>709,638</u>
Increase in net OPEB obligation	722,141
Net OPEB obligation, beginning of year	<u>5,565,424</u>
Net OPEB obligation, end of year	<u>6,287,565</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015 were as follows:

3 Year Trend Information

<u>For Year End</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2013	1,523,329	41.92%	4,624,933
2014	1,570,409	40.10%	5,565,424
2015	1,431,779	49.60%	6,287,565

*Funded Status and Funding Progress.* As of December 31, 2014, 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 \$21,899,413. The covered payroll (annual payroll of active employees covered by the plan) was \$9,560,309, and the ratio of the UAAL to the covered payroll was 229 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, 2014 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, and an annual medical cost trend increase of 7.5% and 5% percent annually. The investment rate included a 3% 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, 2014 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, 2015, 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>
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 \$1,782,628 reported as landfill closure and postclosure care liability at June 30, 2015 represents a cumulative amount reported to-date based on the use of 60% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,205,555 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 2015. 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 26 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 and Inflows of Resources**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions – difference between expected and actual experience		
LGERS	-	106,161
Register of Deeds	-	1,406
Pensions-difference between projected and actual investment earnings	-	2,291,809
Pensions-change in proportion and difference between employer contributions and proportionate share of contributions	-	31,501
Contributions to pension plan in 2014-2015 fiscal year	740,431	-
Prepaid taxes not yet earned (General)	-	35,410
Taxes receivable, net (General)	-	-
Grant advance (Capital Project)	-	<u>90,438</u>
Total	<u>740,431</u>	<u>2,556,726</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 two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency.

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits.

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and audited financial statements are available to the County upon request.

Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for workers' compensation.

Through the captive, the Liability and Property Pool is reinsured for \$2,000,000 of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

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 commercial crime coverage with a \$250,000 occurrence limit. Individuals holding positions requiring statutory bonds are covered elsewhere.

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.

The finance officer and tax collector are each individually bonded for \$100,000 each. All employees that have access to funds are bonded under a blanket bond for \$1,000,000.

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

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 commercial 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 in the prior year and settled claims have not

exceeded coverage in any of the past three fiscal years. In accordance with G.S. 18-B-700(i), each board member is bonded in the amount of \$50,000, secured by a corporate surety per occurrence. In accordance with G.S. 18-B-806(b) and (c), the store manager(s) is bonded for \$50,000 per occurrence.

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 visitors and natural disasters. The Commission relies on insurance provided by Scotland County for coverage for all risks of loss. There have been no significant reductions in insurance coverage in the prior year, and there have been no claims in the past three fiscal years. The Commission's cash deposits are fully covered by insurance. The Commission does not carry flood insurance coverage because it owns no property located within a flood zone or property susceptible to flood damage. In accordance with G.S 159-29, the Commission's employees that have access to \$100 or more at any given time of the Commission's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000.

Scotland County Tourism Development Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority relies on insurance provided by Scotland County for coverage for all risks of loss. There have been no significant reductions in insurance coverage in the prior year, and there have been no claims in the past three fiscal years. The Authority does not carry flood insurance coverage because it owns no property located within a flood zone or property susceptible to flood damage. In accordance with G.S 159-29, the Commission's employees that have access to \$100 or more at any given time of the Commission's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000.

## **6. Claims, Judgments and Contingent Liabilities**

At the date of this report, there were no active lawsuits noted.

**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, 2015 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)	1,884,000
\$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>2,705,000</u>
Total	<u>4,589,000</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	1,800,000
\$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	1,127,893
Total	2,927,893
TOTAL – GENERAL FUND	<u>7,516,893</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%. Final payment of \$67,885 is due September 2015.	<u>67,885</u>
Total	<u>67,885</u>

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

Water District Bonds outstanding at June 30, 2015 in the amount of \$6,113,000 are obligations of the water district, a blended component unit of the County and are not obligations of the County. Interest rates for Water Districts 1 and 2 are 4.875% and 4.25%, respectively. Payments due on this debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	134,500	269,956
2017	141,000	263,949
2018	146,500	257,650
2019	154,000	251,102
2020	161,000	244,219
2021-2025	917,000	1,106,674
2026-2030	1,140,000	882,190
2031-2035	1,347,500	608,021
2036-2040	1,275,500	303,990
2041-2043	696,000	59,160
TOTAL	<u>\$ 6,113,000</u>	<u>\$4,246,911</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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>\$ 4,589,000</u>	<u>\$ 448,858</u>

At June 30, 2015, Scotland County had a legal debt margin of \$159,275,435.

**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, 2015, including \$341,460 of interest are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	300,000	97,560
2017	300,000	81,300
2018	300,000	65,040
2019	300,000	48,780
2020	300,000	32,520
2021	300,000	16,260
Total	<u>\$ 1,800,000</u>	<u>\$ 341,460</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
2016	37,177	42,296
2017	40,717	40,902
2018	43,948	39,375
2019	47,859	37,727
2020	51,478	35,932
2021-2025	326,838	147,337
2026-2030	466,341	76,111
2031	113,534	4,258
Total	<u>\$ 1,127,893</u>	<u>\$ 423,937</u>

Year Ending June 30	Enterprise Fund Activities	
	Principal	Interest
2016	67,885	1,439
Total	<u>\$ 67,885</u>	<u>\$ 1,439</u>

Debt related to capital activities - of the total governmental activities debt listed, only \$1,195,778 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, 2015:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Current Portion of Balance
<b>Governmental activities:</b>					
General obligation debt	\$ 5,602,000	\$ -	\$ 1,013,000	\$ 4,589,000	\$ 995,000
Installment financing	3,261,713	-	333,820	2,927,893	337,177
Net pension obligation-LEO	83,282	29,821	-	113,103	-
Compensated absences	838,814	798,508	747,073	890,249	-
Net pension liability (LGERS)	2,033,278	-	2,033,278	-	-
Other postemployment benefits	5,392,937	691,554	-	6,084,491	-
Total governmental activities	\$17,212,024	\$ 1,519,883	\$ 4,127,171	\$14,604,736	\$ 1,332,177
<b>Business-type activities:</b>					
<b>Water and sewer districts</b>					
General obligation debt	\$ 6,242,500	\$ -	\$ 129,500	\$ 6,113,000	\$ 134,500
Compensated absences	3,479	2,546	2,038	3,987	-
Net pension liability (LGERS)	20,962	-	20,962	-	-
Total water and sewer activities	6,266,941	2,546	152,500	6,116,987	134,500
<b>Landfill</b>					
Accrued landfill closure and postclosure care costs	1,734,406	48,222	-	1,782,628	-
Installment financing	134,361	-	66,476	67,885	67,885
Compensated absences	30,913	21,069	22,116	29,866	-
Net pension liability (LGERS)	41,923	-	41,923	-	-
Other postemployment benefits	172,488	30,586	-	203,074	-
Total landfill activities	2,114,091	99,877	130,515	2,083,453	67,885
Total business-type activities	\$ 8,381,032	\$ 102,423	\$ 283,015	\$ 8,200,440	\$ 202,385

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

### **C. Interfund Balances and Activity**

Transfers to/from other funds

Transfers to/from other funds at June 30, 2015, consist of the following:

From the General Fund to the:

Revaluation Fund to finance various revaluation expenditures	\$ 75,000
Library Service Fund to an Agency Fund	9,958
	<u>84,958</u>

### **Due To and From Interfunds and Other Governments**

**General Fund:**

Due from Solid Waste for cash used in operations	Exhibit 3	596,105
Due from 911 Capital Project	Exhibit 3	<u>320,591</u>
		\$ 916,696

### **D. Net Investment in Capital Assets**

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$10,281,145	\$ 8,553,667
Less: long term debt	<u>1,127,893</u>	<u>6,180,885</u>
Net investment in capital assets	<u>\$ 9,153,252</u>	<u>\$ 2,372,782</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	\$11,577,584
Less:	
Nonspendable	5,111
Stabilization by State Statute	3,140,325
Remaining Fund Balance	8,432,148

Scotland County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

**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 \$26,189 to the Council during the fiscal year ended June 30, 2015.

**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, 2015, Scotland County approved and paid the sum of \$298,199 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	\$49,481,291	\$26,460,957
NC health choice	424,503	133,663
Food stamp program	17,081,729	-
WIC	1,474,204	-
Title IV-E, foster care	264,062	75,277
Adult assistance	-	352,052
Adoption assistance	208,819	53,607
	<u>\$68,934,608</u>	<u>\$27,075,556</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.

### **XIII. Subsequent Events**

Management has evaluated subsequent events through January 20, 2016, the date which the financial statements were available to be issued.

### **IX. Change in Accounting Principles/Restatement**

The County implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,350,810 and \$41,777, respectively.

### **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
- Schedule of County's Proportionate Share of Net Pension Asset (LGERS)
- Schedule of County Contributions (LGERS)
- Schedule of County's Proportionate Share of Net Pension Asset (ROD)
- Schedule of County Contributions (ROD)

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%
12-31-14	-	755,503	755,503	0.00%	1,616,734	46.73%

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%
2015	84,534	63.48%

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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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)
12/31/12	\$ -	\$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%
12/31/14	-	21,899,413	21,899,413	0%	9,560,309	229.10%

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>
2013	\$ 1,516,643	41.90%
2014	1,562,142	40.10%
2015	1,421,830	49.60%

**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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	16 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	5.00%
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%

Scotland County, North Carolina  
**Schedule of the County's Proportionate Share of the Net Pension  
 Liability (Asset)  
 Local Governmental Employees' Retirement System  
 Last Two Fiscal Years\***

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.165	0.154
County's proportionate share of the net pension liability (asset) \$	(971,567)	2,068,704
County's covered-employee payroll	10,372,702	9,861,779
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(9.36)	20.98
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

Scotland County, North Carolina  
**Schedule of County Contributions**  
**Local Governmental Employees' Retirement System**  
 Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	730,731	695,662
Contributions in relation to the contractually required contribution		
Contribution deficiency (excess)	730,731	695,662
County's covered-employee Payroll	10,335,658	9,839,632
Contributions as a percentage of covered-employee payroll	7.07%	7.07%

Scotland County, North Carolina  
**Schedule of the County's Proportionate Share of the Net Pension  
 Liability (Asset)  
 Registers of Deeds' Supplemental Pension Fund  
 Last Two Fiscal Years\***

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.002	0.002
County's proportionate share of the net pension liability (asset) \$	(12,896)	27,459
County's covered-employee payroll	58,094	52,210
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(22.20)	52.59
Plan fiduciary net position as a percentage of the total pension liability	193.88%	190.50%

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

Scotland County, North Carolina  
**Schedule of County Contributions**  
**Registers of Deeds' Supplemental Pension Fund**  
Last Two Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	9,700	8,900
Contributions in relation to the contractually required contribution		
Contribution deficiency (excess)	9,700	8,900
County's covered-employee Payroll	137,189	125,884
Contributions as a percentage of covered-employee payroll	7.07%	7.07%

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, 2015

	2015		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes		\$ 21,823,056	
Interest		315,088	
Total	\$ 22,792,937	22,138,144	\$ (654,793)
<b>Local option sales taxes:</b>			
Article 39 one percent		2,389,346	
Article 40 one-half of one percent		1,826,702	
Article 42 one-half of one percent		1,336,656	
Article 44 one-half of one percent		174	
Total	5,417,347	5,552,878	135,531
<b>Other taxes and licenses:</b>			
Franchise tax	62,000	61,376	(624)
<b>Unrestricted intergovernmental:</b>			
Beer and wine tax		88,028	
ABC profit distribution		91,593	
Total	178,028	179,621	1,593
<b>Restricted intergovernmental:</b>			
State and federal grants		9,614,459	
Lottery proceeds		503,130	
Court facility fees		55,976	
Total	11,068,333	10,173,565	(894,768)
<b>Permits and fees:</b>			
Inspection fees		195,757	
Register of deeds		176,052	
Total	342,145	371,808	29,663

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, 2015

	2015		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues - continued:			
<b>Sales and services:</b>			
Jail and other fees		205,513	
Ambulance fees		1,197,330	
Recreation fees		130,031	
Emergency communications revenue		97,470	
Rental revenue		5,609	
Health department fees		51,053	
Total	1,487,001	1,687,005	200,004
Investment earnings	10,650	12,654	2,004
Fines, forfeitures	299,788	205,519	(94,269)
<b>Miscellaneous:</b>			
Private grants		1,000,000	
Private donations		500	
Sheriff dept. - surveillance - shared revenue		35,054	
Other		717,162	
Total	1,472,784	1,752,716	279,931
Total revenues	43,131,013	42,135,288	(995,725)

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, 2015

	2015		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures:			
<b>General government:</b>			
Governing body:			
Salaries and employee benefits		55,623	
Other operating expenditures		10,296	
Total	66,493	65,919	574
Administration:			
Salaries and employee benefits		577,827	
Total	2,184,066	577,827	1,606,239
Elections:			
Salaries and employee benefits		130,322	
Other operating expenditures		48,480	
Total	194,029	178,803	15,226
Tax:			
Salaries and employee benefits		608,153	
Other operating expenditures		165,202	
Total	831,923	773,355	58,568
Legal:			
Contracted services		51,310	
Total	59,413	51,310	8,103
Register of deeds:			
Salaries and employee benefits		196,404	
Other operating expenditures		52,500	
Total	277,204	248,903	28,301

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, 2015

	2015		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		5,641	
Total	5,642	5,641	1
Information technology:			
Salaries and employee benefits		109,897	
Other operating expenditures		100,237	
Capital outlay		10,500	
Total	268,132	220,634	47,498
Total general government	3,886,902	2,122,392	1,764,510
<b>Public safety:</b>			
Sheriff and communications:			
Salaries and employee benefits		2,343,637	
Other operating expenditures		438,228	
Capital outlay		164,875	
Total	3,113,346	2,946,740	166,606
Jail:			
Salaries and employee benefits		1,041,036	
Other operating expenditures		629,375	
Capital outlay		45,373	
Total	1,888,392	1,715,783	172,609
Emergency ambulatory & services:			
Salaries and employee benefits		1,415,079	
Other operating expenditures		285,048	
Capital outlay		62,954	
Total	2,002,586	1,763,081	239,505

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, 2015

	2015		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Emergency communications & services:			
Salaries and employee benefits		309,940	
Other operating expenditures		29,751	
Total	395,723	339,691	56,032
Forestry service	98,658	79,471	19,187
Inspections:			
Salaries and employee benefits		260,631	
Other operating expenditures		20,947	
Total	344,888	281,577	63,311
Planning & zoning:			
Other operating expenditures		781	
Total	4,590	781	3,809
Scotland County Rescue Squad	28,525	26,776	1,749
Medical examiner	30,000	25,000	5,000
Animal control:			
Salaries and employee benefits		91,067	
Other operating expenditures		11,361	
Total	105,591	102,428	3,163
Humane society	122,620	122,620	-
Surveillance and drugs:			
Other operating expenditures		9,600	
Total	35,002	9,600	25,402
Total public safety	8,169,921	7,413,549	756,372

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, 2015

	2015		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures - continued:			
<b>Central service:</b>			
General:			
Other operating expenditures		411,185	
Total	431,110	411,185	19,925
Public buildings:			
Salaries and employee benefits		538,188	
Other operating expenditures		442,071	
Capital outlay		259,907	
Total	1,442,364	1,240,167	202,197
Total central service	1,873,474	1,651,352	222,122
<b>Economic and physical development:</b>			
Industry grants		3,893,795	
Region N-council of government		26,189	
SEDC		3,254	
Total	3,923,449	3,923,238	211
Co-op extension:			
Salaries and employee benefits		12,081	
Other operating expenditures		115,342	
Total	145,308	127,423	17,885
Soil and water conservation:			
Salaries and employee benefits		63,277	
Other operating expenditures		2,078	
Total	70,930	65,355	5,575
Total economic & physical development	4,139,687	4,116,016	23,671

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, 2015

	2015		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		152,256	
Historic Properties		18,000	
Total other expenditures	170,328	170,256	72
<b>Human services:</b>			
Health:			
Administration:			
Salaries and employee benefits		549,954	
Other operating expenditures		212,047	
Capital outlay		5,113	
Total	799,556	767,114	32,442
Tuberculosis:			
Salaries and employee benefits		12,241	
Other operating expenditures		3,859	
Total	16,500	16,101	399
Child health		91,239	
Primary care		112,153	
Communicable diseases		204,040	
Total	435,677	407,433	28,244
Family planning:			
Salaries and employee benefits		331,365	
Other operating expenditures		55,548	
Total	491,068	386,913	104,155

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, 2015

	2015		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		50,294	
Other operating expenditures		<u>41,344</u>	
Total	98,324	91,638	6,686
Women, infants, and children:			
Salaries and employee benefits		294,719	
Other operating expenditures		<u>10,683</u>	
Total	324,302	305,402	18,900
Environmental health:			
Salaries and employee benefits		102,135	
Other operating expenditures		<u>23,917</u>	
Total	136,963	126,053	10,910
Child services coordinator:			
Salaries and employee benefits		90,767	
Other operating expenditures		<u>3,007</u>	
Total	99,512	93,773	5,739
MCC	157,764	152,810	4,954
Immunization:			
Salaries and employee benefits		23,778	
Other operating expenditures		<u>34,178</u>	
Total	75,218	57,956	17,262
Adult health:			
Salaries and employee benefits		51,561	
Other operating expenditures		<u>7,650</u>	
Total	67,255	59,211	8,044

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, 2015

	2015		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		4,235	
Other operating expenditures		27,455	
Total	32,587	31,690	897
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		6,723	
Total	80,420	79,643	777
Total health	2,815,146	2,575,736	239,410
Social services:			
Administration:			
Salaries and employee benefits		4,212,604	
Other operating expenditures		3,934,623	
Capital outlay		5,113	
Total	8,777,464	8,152,340	625,124
Transportation:			
Salaries and employee benefits		337,642	
Other operating expenditures		89,593	
Total	749,369	427,235	322,134
Total social services	9,526,833	8,579,575	947,258

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, 2015

	2015		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		47,492	
Other operating expenditures		<u>2,404</u>	
Total	51,289	49,896	1,393
Total human services	12,393,268	11,205,206	1,188,062
<b>Cultural and recreational:</b>			
Recreation:			
Salaries and employee benefits		405,253	
Other operating expenditures		195,692	
Capital outlay		<u>4,193</u>	
Total	734,201	605,137	129,064
Libraries:			
Salaries and employee benefits		270,252	
Other operating expenditures		<u>142,930</u>	
Total	435,326	413,181	22,145
Total cultural and recreational	1,169,527	1,018,319	151,208

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, 2015

	2015		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
<b>Education:</b>			
Public schools - current expense		10,689,325	
Public schools - lottery-capital outlay		147,300	
Fines and forfeitures		205,519	
Contributions of capital		300,000	
Community colleges - current		298,199	
Total education	11,686,524	11,640,343	46,181
<b>Debt service:</b>			
Principal retirement		1,346,820	
Interest and fees, other		233,691	
Total debt service	1,686,137	1,580,511	105,626
Total expenditures	45,175,768	40,917,944	4,257,824
Revenues over (under) expenditures	(2,044,755)	1,217,344	3,262,099

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, 2015

	2015		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
Special revenue funds revaluation	(75,000)	(75,000)	-
Total net transfers	(75,000)	(75,000)	-
 Total other financing sources (uses)	 (75,000)	 (75,000)	 -
 Appropriated fund balance	 2,119,755	 -	 (2,119,755)
 Net change in fund balance	 \$ -	 1,142,344	 \$ 1,142,344
 Fund balances:			
Beginning of year, July 1		10,435,240	
End of year, June 30		\$ 11,577,584	

Scotland County, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

	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	
<b>ASSETS</b>										
Cash and cash equivalents	\$ -	\$ -	\$ 213,034	\$ -	\$ -	\$ -	\$ 213,034	\$ -	\$ -	\$ 213,034
Restricted cash	-	1,356,194	-	215,736	4,130	6,037	1,582,097	-	-	1,582,097
Taxes receivable	-	61,658	-	-	-	-	61,658	-	-	61,658
Prepaid expense	-	1,990	-	4,491	-	-	6,481	-	-	6,481
Due from other governments/grantors	-	50,927	-	19,030	-	-	69,957	-	-	69,957
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,470,769</b>	<b>\$ 213,034</b>	<b>\$ 239,257</b>	<b>\$ 4,130</b>	<b>\$ 6,037</b>	<b>\$ 1,933,227</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,933,227</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,591	\$ 320,591	\$ 320,591	\$ 320,591
Accounts payable & accrued liabilities	-	-	-	34,650	-	-	34,650	8,528	8,528	43,178
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,650</b>	<b>-</b>	<b>-</b>	<b>34,650</b>	<b>329,119</b>	<b>329,119</b>	<b>363,769</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Taxes receivable	-	61,658	-	-	-	-	61,658	-	-	61,658
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>61,658</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,658</b>	<b>-</b>	<b>-</b>	<b>61,658</b>
<b>Fund balances:</b>										
<b>Nonexpendable:</b>										
Prepaid expenses	-	1,990	-	4,491	-	-	6,481	-	-	6,481
<b>Restricted for:</b>										
Stabilization by state statute	-	50,928	-	19,030	-	-	69,958	-	-	69,958
Fire protection	-	1,356,193	-	-	-	-	1,356,193	-	-	1,356,193
Emergency telephone	-	-	-	181,086	-	-	181,086	-	-	181,086
Rehabilitation	-	-	-	-	4,130	6,037	10,167	-	-	10,167
<b>Committed:</b>										
Revaluation	-	-	213,034	-	-	-	213,034	-	-	213,034
Unassigned	-	-	-	-	-	-	-	(329,119)	(329,119)	(329,119)
<b>Total fund balances</b>	<b>-</b>	<b>1,409,111</b>	<b>213,034</b>	<b>204,607</b>	<b>4,130</b>	<b>6,037</b>	<b>1,836,919</b>	<b>(329,119)</b>	<b>(329,119)</b>	<b>1,507,800</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ -</b>	<b>\$ 1,470,769</b>	<b>\$ 213,034</b>	<b>\$ 239,257</b>	<b>\$ 4,130</b>	<b>\$ 6,037</b>	<b>\$ 1,933,227</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,933,227</b>

Scotland County, North Carolina  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

	Special Revenue Funds						Capital Project Funds		
	Library Services Fund	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	North Carolina Housing Finance Agency	Total Nonmajor Special Revenue Funds	911 Building Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>									
Ad valorem taxes	\$ -	\$ 582,692	\$ -	\$ -	\$ -	\$ 582,692	\$ -	\$ -	\$ 582,692
Other taxes, licenses & fees	1,817	550	-	228,362	-	230,729	-	-	230,729
Sales tax	-	269,549	-	-	-	269,549	-	-	269,549
Grants	-	-	-	-	-	85,833	540,303	540,303	626,136
Investment earnings	1	6,002	-	-	-	6,003	-	-	6,003
<b>Total revenues</b>	<b>1,818</b>	<b>858,793</b>	<b>-</b>	<b>228,362</b>	<b>-</b>	<b>85,833</b>	<b>540,303</b>	<b>540,303</b>	<b>1,715,109</b>
<b>Expenditures:</b>									
Public safety	-	291,109	-	206,680	-	497,789	-	-	497,789
Rehabilitation	-	-	-	-	-	85,833	-	-	85,833
Other	4,270	-	-	-	-	4,270	164,224	164,224	168,494
Capital outlay	-	-	-	327,061	-	327,061	705,198	705,198	1,032,259
<b>Total expenditures</b>	<b>4,270</b>	<b>291,109</b>	<b>-</b>	<b>533,741</b>	<b>-</b>	<b>85,833</b>	<b>869,422</b>	<b>869,422</b>	<b>1,784,375</b>
<b>Revenues over (under) expenditures</b>	<b>(2,452)</b>	<b>567,684</b>	<b>-</b>	<b>(305,379)</b>	<b>-</b>	<b>-</b>	<b>259,853</b>	<b>(329,119)</b>	<b>(329,119)</b>
<b>Other financing sources and uses:</b>									
Transfers (to) from other funds	(9,958)	-	75,000	-	-	65,042	-	-	65,042
<b>Total other financing sources and uses</b>	<b>(9,958)</b>	<b>-</b>	<b>75,000</b>	<b>-</b>	<b>-</b>	<b>65,042</b>	<b>-</b>	<b>-</b>	<b>65,042</b>
<b>Net change in fund balances</b>	<b>(12,410)</b>	<b>567,684</b>	<b>75,000</b>	<b>(305,379)</b>	<b>-</b>	<b>-</b>	<b>324,895</b>	<b>(329,119)</b>	<b>(329,119)</b>
<b>Fund balances - beginning</b>	<b>12,410</b>	<b>841,427</b>	<b>138,034</b>	<b>509,986</b>	<b>4,130</b>	<b>6,037</b>	<b>1,512,024</b>	<b>-</b>	<b>1,512,024</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$1,409,111</b>	<b>\$ 213,034</b>	<b>\$ 204,607</b>	<b>\$ 4,130</b>	<b>\$ 6,037</b>	<b>\$ 1,836,919</b>	<b>\$ (329,119)</b>	<b>\$ (329,119)</b>

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, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Licenses & fees	1,285	1,817	532
Interest earnings	-	1	1
Total revenues	<u>1,285</u>	<u>1,818</u>	<u>533</u>
Expenditures:			
Cultural and recreational	<u>1,285</u>	<u>4,270</u>	<u>(2,985)</u>
Total expenditures	<u>1,285</u>	<u>4,270</u>	<u>(2,985)</u>
Revenues (under) expenditures	<u>\$ -</u>	(2,452)	<u>(2,452)</u>
Other financing sources:			
Transfers:			
To Library Agency	<u>\$ -</u>	(9,958)	<u>\$ (9,958)</u>
Fund balances - beginning		<u>12,410</u>	
Fund balances - ending		<u>\$ -</u>	

Scotland County, North Carolina  
**Fire Service District Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 577,296	\$ 582,692	\$ 5,396
Other taxes, licenses & fees	520	550	30
Sales tax	267,250	269,549	2,299
Investment earnings	5,891	6,002	111
Total revenues	<u>850,957</u>	<u>858,793</u>	<u>7,836</u>
Expenditures:			
Public safety	<u>900,937</u>	<u>291,109</u>	<u>609,828</u>
Total expenditures	<u>900,937</u>	<u>291,109</u>	<u>609,828</u>
Revenues over (under) expenditures	(49,980)	567,684	617,664
Appropriated fund balance	<u>49,980</u>	<u>-</u>	<u>(49,980)</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	567,684	<u>\$ 567,684</u>
Fund balances - beginning		<u>841,427</u>	
Fund balances - ending		<u>\$1,409,111</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
None	\$ -	\$ -	\$ -
Expenditures:			
Revaluation	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Revenues (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>138,034</u>	
Fund balances - ending		<u>\$ 213,034</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes, licenses & fees	\$ 228,362	\$ 228,362	\$ -
Total revenues	<u>228,362</u>	<u>228,362</u>	<u>-</u>
Expenditures:			
Public safety	228,362	206,680	21,682
Capital outlay	<u>-</u>	<u>327,061</u>	<u>(327,061)</u>
Total expenditures	<u>228,362</u>	<u>533,741</u>	<u>(305,379)</u>
Revenues (under) expenditures	<u>\$ -</u>	(305,379)	<u>\$(305,379)</u>
Fund balances - beginning		<u>509,986</u>	
Fund balances - ending		<u>\$ 204,607</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
None	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances - beginning		<u>4,130</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, 2015

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Other grants	\$ 400,000	\$ 314,167	\$ 85,833	\$ 400,000	\$ -
Total revenues	400,000	314,167	85,833	400,000	-
Expenditures:					
Rehabilitation/construction	400,000	308,130	85,833	393,963	6,037
Total expenditures	400,000	308,130	85,833	393,963	6,037
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, 2015

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Grant funds	\$ 2,750,000	\$2,209,697	\$ 540,303	\$ 2,750,000	\$ -
Total revenues	<u>2,750,000</u>	<u>2,209,697</u>	<u>540,303</u>	<u>2,750,000</u>	<u>-</u>
<b>Expenditures:</b>					
Construction	3,350,000	2,058,287	164,224	2,222,511	1,127,489
Architect/engineering	<u>300,000</u>	<u>300,000</u>	<u>705,198</u>	<u>1,005,198</u>	<u>(705,198)</u>
Total expenditures	<u>3,650,000</u>	<u>2,358,287</u>	<u>869,422</u>	<u>3,227,709</u>	<u>422,291</u>
Revenues over (under) expenditures	<u>(900,000)</u>	<u>(148,590)</u>	<u>(329,119)</u>	<u>(477,709)</u>	<u>422,291</u>
<b>Other financing sources:</b>					
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 (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(329,119)</u>	<u>\$ (329,119)</u>	<u>\$ (329,119)</u>
Fund balances - beginning			<u>-</u>		
Fund balances - ending			<u>\$ (329,119)</u>		

Scotland County, North Carolina  
**Public Works**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		\$ 1,265,336	
Other operating revenues		184,366	
Total operating revenues	\$ 1,692,506	1,449,703	\$ (242,803)
Expenditures:			
Operating expenses:			
Salaries & employee benefits		471,311	
Supplies		17,772	
Repairs & maintenance		83,684	
Contracted services		175,489	
Waste disposal		570,407	
Other operating expenditures		94,476	
Total operating expenses	1,455,556	1,413,140	42,416
Debt service:			
Interest		2,848	
Debt principal		66,476	
	69,324	69,324	-
Capital outlays:			
Equipment	167,626	163,048	4,578
Total expenditures	1,692,506	1,645,512	46,994
Revenues (under) expenditures	\$ -	(195,809)	\$ (195,809)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Debt principal		66,476	
Capital outlay		163,048	
Depreciation		(69,824)	
Decrease in accrued vacation		1,047	
(Increase) in accrued landfill closure and postclosure costs		(48,222)	
Bad debts		(11,983)	
(Increase) in accrued OPEB liability		(30,586)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		22,684	
Pension expense		(1,077)	
Total reconciling items		91,563	
Change in net position		\$ (104,247)	

Scotland County, North Carolina  
**Water District I Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
For the Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		665,780	
Total operating revenues	650,000	665,780	15,780
Expenditures:			
Operating expenses:			
Salaries and employee benefits		45,469	
Water purchases		285,586	
Other operating expenditures		134,541	
Total operating expenses	524,136	465,595	58,541
Debt service:			
Principal retirement		44,500	
Interest		81,364	
Total	125,864	125,864	-
Total expenditures	650,000	591,459	58,541
Revenues over expenditures	\$ -	74,321	\$ 74,321
<b>Reconciliation from budgetary basis</b>			
<b>(modified accrual) to full accrual:</b>			
Reconciling items:			
Principal payment		44,500	
Depreciation		(114,095)	
Bad debts		(331)	
(Increase) in accrued vacation		(508)	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		1,888	
Pension expense		(537)	
Total reconciling items		(69,083)	
Change in net position		\$ 5,238	

Scotland County, North Carolina  
**Water District II Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Water sales		\$ 428,983	
Sewer fees		<u>173,387</u>	
Total operating revenues	\$ 607,140	602,370	\$ (4,770)
Expenditures:			
Operating expenses:			
Water purchases		114,442	
Water operations		<u>120,896</u>	
Total operating expenses	327,766	235,337	92,429
Debt service:			
Debt principal		85,000	
Interest		<u>194,374</u>	
Total	279,374	279,374	-
Total expenditures	607,140	514,711	92,429
Revenues over expenditures	<u>\$ -</u>	87,659	<u>\$ 87,659</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal payments		85,000	
Depreciation		(183,736)	
Bad debts		<u>(1,796)</u>	
Total reconciling items		(100,532)	
Change in net position		<u>\$ (12,873)</u>	

Scotland County, North Carolina  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Social Services</b>				
Assets:				
Cash & cash equivalents	15,277	164,356	163,305	16,327
Liabilities:				
Miscellaneous liabilities	15,277	164,356	163,305	16,327
<b>Fines and Forfeitures</b>				
Assets:				
Cash	3,129	536,458	535,224	4,363
Liabilities:				
Intergovernmental payable	-	205,519	205,519	-
Other tax	3,130	330,938	329,705	4,363
Total liabilities	3,130	536,458	535,224	4,363
<b>Motor Vehicle Tax</b>				
Assets:				
Cash & cash equivalents	115,710	556,220	633,182	38,747
Liabilities:				
Miscellaneous liabilities	115,710	556,220	633,182	38,747
<b>Inmate Trust Fund</b>				
Assets:				
Cash	18,101	145,358	133,882	29,577
Liabilities:				
Inmate funds	18,101	145,358	133,882	29,577
<b>Tourism Development Fund</b>				
Assets:				
Cash	121,391	322,355	279,960	163,786
Liabilities:				
Miscellaneous liabilities	121,391	322,355	279,960	163,786
<b>Parks and Recreation</b>				
Assets:				
Cash	180	780	705	255
Liabilities:				
Miscellaneous liabilities	180	780	705	255

Scotland County, North Carolina  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Concealed Weapons Fees</b>				
Assets:				
Cash	965	16,526	16,436	1,055
Liabilities:				
Miscellaneous liabilities	965	16,526	16,436	1,055
 <b>Register of Deeds</b>				
Assets:				
Cash	5,819	70,230	70,240	5,809
Liabilities:				
Miscellaneous liabilities	5,819	70,230	70,240	5,809
 <b>Library</b>				
Assets:				
Cash	12,410	1,818	4,270	9,958
Liabilities:				
Miscellaneous liabilities	12,410	1,818	4,270	9,958
 <b>Total-All Agency Funds</b>				
Assets:				
Cash	292,982	1,812,282	1,832,935	269,877
Liabilities:				
Miscellaneous liabilities	292,982	1,608,580	1,631,686	269,877
Intergovernmental payable	-	205,519	205,519	-
Total liabilities	292,982	1,814,100	1,837,205	269,877

Scotland County, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2015

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 21,893,335	\$ 20,694,226	\$ 1,199,109
2013-2014	1,241,178	-	704,521	536,657
2012-2013	634,205	-	271,145	363,060
2011-2012	357,474	-	108,759	248,715
2010-2011	305,028	-	73,241	231,787
2009-2010	254,925	-	55,839	199,086
2008-2009	223,319	-	34,715	188,604
2007-2008	225,049	-	25,702	199,347
2006-2007	202,437	-	21,979	180,458
2005-2006	197,564	-	25,413	172,151
2004-2005	151,314	-	119,326	31,988
2003-2004	46,274	-	22,246	24,028
2002-2003	30,960	-	15,110	15,850
2001-2002	24,151	-	11,045	13,106
2000-2001	24,587	-	15,278	9,309
Total	<u>\$ 3,918,465</u>	<u>\$ 21,893,335</u>	<u>\$ 22,198,546</u>	<u>\$ 3,613,254</u>
				<u>180,663</u>
				Ad valorem taxes receivable - net
				<u>\$ 3,432,591</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - net:				
General Fund				\$ 22,138,144
Reconciling items:				
Interest only collected				\$ (314,011)
Discounts				95,054
Taxes released				<u>279,359</u>
Total reconciling items				<u>\$ 60,402</u>
Total collections and credits				<u>\$ 22,198,546</u>

Scotland County, North Carolina  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Fiscal Year Ended June 30, 2015

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 2,142,689,900	\$ 1.03	\$ 22,069,706	\$ 19,755,756	\$ 2,313,950
Total	2,142,689,900		22,069,706	19,755,756	2,313,950
Abatements	<u>(17,123,390)</u>		<u>(176,371)</u>	<u>(159,967)</u>	<u>(16,404)</u>
Total property valuations	<u>\$ 2,125,566,510</u>				
Net levy			21,893,335	19,595,789	2,297,546
Uncollected taxes at June 30, 2015			<u>1,199,109</u>	<u>996,721</u>	<u>202,388</u>
Current year's taxes collected			<u>\$ 20,694,226</u>	<u>\$ 18,599,068</u>	<u>\$ 2,095,158</u>
Current year collection percentage			94.52%	94.91%	91.19%

Scotland County, North Carolina  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Fiscal Year Ended June 30, 2015

Secondary market disclosures:

Assessed valuation:

Assessment ratio <sup>1</sup>	100%
Real property	\$ 1,461,520,935
Personal property	567,170,442
Public service companies <sup>2</sup>	<u>96,875,133</u>
Total assessed valuation	\$ 2,125,566,510
Tax rate per \$100	1.03
Levy (includes discoveries, releases and abatements) <sup>3</sup>	\$ 21,893,335

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	600,486
Total	<u><u>\$ 600,486</u></u>

<sup>1</sup>Percentage of appraised value has been established by statute.

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

<sup>3</sup>The levy includes interest and penalties.

Scotland County, North Carolina  
 Ten Largest Taxpayers  
 For the Fiscal Year Ended June 30, 2015

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2015 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
FCC North Carolina, Inc.	Manufacturing	\$ 120,411,682	5.67%
Pilkington North America	Manufacturing	84,152,634	3.96%
Duke Energy	Utility	51,699,930	2.43%
Piedmont Natural Gas	Utility	34,335,278	1.62%
Lumbee River EMC	Utility	25,251,388	1.19%
CSX Transportation	Railroad	23,934,796	1.13%
Kordsa, Inc.	Manufacturing	23,899,592	1.12%
Carroll's Realty	Farm	22,518,460	1.06%
Meritor Heavy Vehicle	Manufacturing	19,378,671	0.91%
WP Properties	Manufacturing	<u>19,052,635</u>	<u>0.90%</u>
Total		<u>\$ 424,635,066</u>	<u>19.99%</u>

**COMPLIANCE SECTION**

**Parker, Wagoner & Roche, PLLC**  
**Certified Public Accountants**

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**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, 2015, and the related notes to the financial statement, [not presented here], which collectively comprises Scotland County's basic financial statements, and have issued our report thereon dated January 20, 2016.

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 2015-1 and 2015-2.*

#### 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.

*Parker, Wagoner + Roche, PLLC*

PARKER, WAGONER & ROCHE, PLLC  
Laurinburg, North Carolina

January 20, 2016

**Parker, Wagoner & Roche, PLLC**  
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**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, 2015. 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, 2015

### **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 items 2015-3, 2015-4, and 2015-5. 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 2015-3, 2015-4, and 2015-5 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.

*Parker, Wagoner & Roche, PLLC*

PARKER, WAGONER & ROCHE, PLLC  
Laurinburg, North Carolina

January 20, 2016

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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, 2015. 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, 2015.

### **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 items 2015-3 and 2015-6. 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-3 and 2015-6 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.

*Parker, Wagoner + Roche, PLLC*

PARKER, WAGONER & ROCHE, PLLC  
Laurinburg, North Carolina

January 20, 2016

SCOTLAND COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015

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**Section I. Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	___X___yes	_____no
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SCOTLAND COUNTY, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2015

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medicaid
93.558	TANF
93.659	Adoption Assistance Title IV-E

Dollar threshold used to distinguish  
 between Type A and Type B Programs \$1,720,178

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: Unmodified

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:

<u>Program Name</u>
Medicaid
Industrial Development Fund

SCOTLAND COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015

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**Section II - Financial Statement Findings**

---

**Finding: 2015-1**

**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 and the 911 Capital Project Fund have 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. The 911 Capital Project Fund has a deficit due to transfers not being made.

Effect: The County could continue to increase the deficit in the Public Works Fund if new revenue streams are not found. The County could increase deficits in the 911 Capital Project Fund if budgeted transfers are not made.

Cause: The County has not generated enough revenue to offset the closure and postclosure cost to offset the deficit within the Public Works Fund. The County did not make budgeted transfers in the 911 Capital Project 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. The County should monitor funds and budgets and make timely transfers.

**Finding: 2015-2**

**SIGNIFICANT DEFICIENCY**

Criteria: Expenditures within funds should be monitored to insure expenditures do not exceed budgeted amounts.

Condition: The Emergency Telephone System Fund had an excess of expenditures over budgeted amounts.

Effect: Budgetary violations occurred.

Cause: Oversight of budget to actual expenditures.

Recommendation: Better oversight is needed for actual to budgeted expenditures and budget amendments should be made as needed.

SCOTLAND COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015

---

**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: Medicaid

CFDA# 93.778

**Finding: 2015-3**

Significant Deficiency

Eligibility/and Internal Controls

Criteria: Individual case records should contain proper documentation of the eligibility determinations and redeterminations.

Condition: 60 medicaid case files were audited for eligibility requirements of which 40 case files were of the type that required documentation that tax records and Register of Deeds were checked to verify if the individual owns property. Of those 40 case files, two of them did not contain evidence that tax records or Register of Deeds were checked for property ownership.

Context: Two case files out of the 40 reviewed case files that required property checks with the Register of Deeds did not contain evidence of the property check.

Effect: Lack of property checks could cause an individual to qualify and receive Medicaid benefits when they otherwise would not qualify because of excess resources.

Cause: Human error in eligibility determination.

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:**

The County agrees with this finding. The County has created a new position of quality control during the fiscal year June 30, 2015 in order to increase quality control among its programs. In addition, caseworkers immediately checked with the register of deeds in the above two cases and no property was owned by the individuals.

SCOTLAND COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015

---

**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 Public Health:

Program Name: TANF-Work First

CFDA# 93.558

**Finding: 2015-4**

Significant Deficiency

Eligibility and Internal Controls

Criteria: Individual case records should contain proper documentation of the eligibility determinations and redeterminations.

Condition: Residence verification was not evident in 3 of the 60 sampled case files.

Context: Three out of 60 sampled files did not contain evidence that North Carolina residency proof was obtained.

Effect: Individuals could qualify for benefits when they are not a resident of North Carolina.

Cause: Oversight of personnel or human error.

Recommendation: More second party reviews should be conducted and eligibility requirements should be reiterated to case workers.

**Views of responsible officials and planned corrective actions:** The County agrees with this finding. The County has a new quality control position in their DSS. The QC employee will conduct more second party reviews and be part of overall training in each department. Management has reviewed the three case files and has obtained evidence of North Carolina residency of the three error files mentioned above. The Supervisor of the unit has started completing second party reviews on cases from each worker. The supervisor has also discussed the importance of policy and ensuring all documents are requested and in the file.

**US Department of Health and Human Service**

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

Division of Public Health:

Program Name: TANF-Work First

CFDA# 93.558

**Finding: 2015-5**

Significant Deficiency

Eligibility and Internal Controls

Criteria: Individual case records should contain proper documentation of the eligibility determinations and redeterminations.

Condition: An overpayment of \$362 dollars was made to one individual. The individual became ineligible after a member of household reached the maximum allowable age.

Context: One out of 60 sampled files contained an overpayment error.

Effect: An overpayment of \$362 dollars was made to one individual that did not qualify for benefits.

Cause: Oversight of personnel or human error.

Recommendation: More second party reviews should be conducted and eligibility requirements should be reiterated to case workers.

**Views of responsible officials and planned corrective actions:** The County agrees with this finding. The County has a new quality control position in their DSS. The quality control employee will conduct more second party reviews and be part of overall training in each department to increase internal controls at DSS. The Supervisor of the Work First unit has started completing second party reviews on cases from each worker. The supervisor has discussed the importance of policy and checking behind cases to ensure correct household members are included.

SCOTLAND COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2015

---

**Section IV - State 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: Medicaid  
CFDA# 93.778

**Finding: 2015-3**

Significant Deficiency  
Eligibility and Internal Controls

See Section III Federal Award Findings and Questioned Costs finding 2015-2.

**Passed through the North Carolina Department of Commerce**

Program Name: Industrial Development Utility Fund

**Finding: 2015-6**

Significant Deficiency  
Eligibility and Internal Controls

Criteria: The passthrough entity should monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward and achieves performance goals.

Condition: Proper evidence of monitoring the subrecipient funds was not available.

Context: Proper evidence of monitoring the subrecipient in accordance with grant agreements was not available.

Effect: An internal control error occurred in the monitoring process.

Cause: Oversight of monitoring rules.

Recommendation: We recommend the County review the federal compliance supplement Part 3, Section M subrecipient monitoring and implement procedures tailored to each passthrough grant.

**Views of responsible officials and planned corrective actions:** The County agrees with this finding. The County believes that procedures conducted by a local engineering company which included monitoring and approving funds that were spent was sufficient.

SCOTLAND COUNTY  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2015

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**Section II - Financial Statement Findings**

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**Finding: 2015-1**

Name of contact person: Beth Hobbs - Deputy Finance Officer

Corrective Action: The County is exploring means of reducing expenditures and seeking new revenue streams. In fiscal 2015-2016 the County has implemented an availability fee.

Proposed Completion Date: Immediately.

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

---

**Finding: 2015-3**

Name of contact person: Teresa Vick

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

Proposed Completion Date: Immediately.

**Finding: 2015-4 and 5**

Name of Contact Person: Felisa Lockey

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

Proposed Completion Date: Immediately.

SCOTLAND COUNTY  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2015

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

---

**Finding: 2015-3**

Name of contact person: Teresa Vick

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

Proposed Completion Date: Immediately.

**Finding: 2015-6**

Name of contact person: Beth Hobbs

Corrective Action: More thorough policies will be put into place to monitor all passthrough funds.

Proposed Completion Date: Immediately.

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

Prior Year Financial Statements Findings

**Finding 2014-1**

Status: See current year finding 2015-1.

**Finding 2014-2**

Status: Corrected.

**Finding 2014-3**

Status: Budget calculation sheets corrected however see findings 2015-2, 3 4 and 5.

**Finding 2014-4**

Status: Corrected

**Finding 2014-5**

Status: Corrected

**Finding 2014-6**

Status: Corrected

**SCOTLAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal Awards:</b>					
<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	-	(4,468)	380,477
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	324,839	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5NC700705	1,149,365	-	-
AGRI-SFP Food Program Meal	10.559	214IN109945	2,554	-	-
Total U.S. Department of Agriculture			<u>1,476,758</u>	<u>(4,468)</u>	<u>380,477</u>
<u>U.S. Dept. of Housing and Urban Development</u>					
Passed-through N.C. Dept. of Commerce					
Community Development Block Grant	14.239	11-C-2325	85,833	-	-
CDBG-Small Cities Grant			1,000,000	-	-
Total U.S. Dept. of Housing and Urban Development			<u>1,085,833</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>					
Direct Program:					
Federal Drug Forfeiture Program	16.000	NC0830000	10,164	-	-
Passed-through N.C. Dept. Public Safety					
JAG Program Cluster					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0045	36,435	-	6,250
Total U.S. Dept. of Justice			<u>46,599</u>	<u>-</u>	<u>6,250</u>
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Formula Grants for Other Than Urbanized Areas	20.509	2000000353	18,244	1,140	-
Formula Grants for Other Than Urbanized Areas	20.509	2000000797	62,808	3,925	-
Formula Grants for Other Than Urbanized Areas	20.509	2000000799	122,472	15,309	-
Total U.S. Dept. of Transportation			<u>203,524</u>	<u>20,374</u>	<u>-</u>
Centers for Disease Control and Prevention					
Passed-through the N.C. Dept. of Health and Human Services:					
Preparedness (PHEP) Aligned Cooperative Agreements					
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.074	5U90TP000538-2	30,339	-	-
Immunization Grants	93.116	5U52PS416676	28	-	-
	93.268	5H23IP422554	22,154	-	-
Preventive Health and Health Services Block Grant funded solely with:					
Prevention and Public Health Funds (PPHF)	93.758	3B01DP009034-13W2	13,757	-	-
HIV Prevention Activities - Health Department Based	93.940	1U62PS003658-02	1,000	-	-
Preventive Health Services - Sexually Transmitted Diseases Control Grant					
	93.977	1H25PS004349	50	-	-
Statewide Health Promotion Program	93.991	3B01DP009034-13W2	6,789	-	-
Office of Population Affairs					
Passed-through the N.C. Dept. of Health and Human Services:					
Office of Population Affairs					
Family Planning Services	93.217	FPHP040648-02-00	49,161	-	-
Family Preservation	93.556	15113A15151	2,532	-	-

**SCOTLAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families (TANF) /					
Work First	93.558	G1202NCTANF	3,404	-	-
Work First	93.558	G1202NCTANF	750,884	(42)	476
Work First - Administration	93.558	G1202NCTANF	89,065		155,227
Work First - Direct Benefit Payments	93.558	G1202NCTANF	298,991		510,238
Total TANF Cluster			1,142,343	(42)	665,941
<u>Foster Care and Adoption Cluster</u>					
Foster Care - Title IV-E	93.658	1201NC1401	158,442	53,559	130,206
Adoption Assistance	93.659	1201NC1407	1,974	-	1,974
Foster Care - Title IV-E - Direct Benefit Payments	93.658	1201NC1401	105,620	21,718	33,610
Adoption Assistance - Direct Benefit Payments	93.659	1201NC1407	206,845	53,607	53,607
Total Foster Care and Adoption Cluster			472,881	128,883	219,397
<u>Child Support Enforcement</u>					
IV-D - Administration	93.563	1204NC4005	-	-	-
IV-D - Offset Fees	93.563	1204NC4005	615,788	-	317,224
	93.563	1204NC4005	4,145	-	2,135
<u>Refugee and Entrant Assistance - State Administered Program</u>					
	93.566	G12AANC4110	365	-	-
<u>Low-Income Home Energy Assistance:</u>					
Administration	93.568	G12BNCLIEA	41,263		
Energy Assistance Payments- Direct Benefit Payments	93.568	G12BNCLIEA	313,174		
Crisis Intervention Program	93.568	G12BNCLIEA	207,442	-	-
<u>Stephanie Tubbs Jones Child Welfare Services Program:</u>					
- Adoption Subsidy - Benefit Payments	93.645	1201NC1407	-	-	-
- Permanency Planning - Families for Kids	93.645	G1201NC1400	10,979	-	3,660
<u>SSBG - Other Service and Training</u>					
Independent Living Transitional Grant	93.667	G1201NCSOSR	191,712	30,228	73,979
Transitional Funds (LINKS)	93.674	G1201NC1420	842	-	-
	93.674	G1201NC1420	11,200	2,800	-
<u>Division of Aging and Adult Services:</u>					
<u>Division of Social Services:</u>					
SSBG - State In Home Service Fund	93.667	G1201NCSOSR	11,626	-	1,661
SSBG - State Adult Day Care	93.667	G1201NCSOSR	8,018	16,937	3,565
<u>Division of Child Development and Early Education:</u>					
<u>Subsidized Child Care (Note 4)</u>					
<u>Child Care Development Fund Cluster:</u>					
<u>Division of Social Services:</u>					
Child Care Development Fund-Administration	93.596	47013123	75,809	-	-
<u>Division of Child Development:</u>					
Child Care and Development Fund -- Discretionary	93.575	13801810TB83	530,208	-	-
Child Care and Development Fund -- Mandatory	93.596	13801810ML83	221,520	-	-
Child Care and Development Fund -- Match	93.596	13801810VZ83	382,706	159,858	-
Total Child Care Development Fund Cluster			1,210,243	159,858	-
TANF	93.558	G1202NCTANF	170,468	-	-
Foster Care Title IV-E		1201NC1401	13,242	6,858	-
Smart Start		138018120083	-	-	-
State Appropriations		138018120083	-	61,845	-
TANF-MOE		G1202NCTANF	-	68,370	-
Total Subsidized Child Care (Note 4)			1,393,953	296,931	-

**SCOTLAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2015**

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &amp;</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	5-1205NC5MAP	48,337,444	26,401,643	251,969
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	5-1205NC5MAP	1,143,847	59,314	380,393
Total Medical Assistance Program			<u>49,481,291</u>	<u>26,460,957</u>	<u>632,362</u>
Direct Benefit Payments:					
State Children's Insurance Program - N.C. Health Choice	93.767	12715376H1	418,924	131,912	-
Division of Social Services:					
Administration:					
State Children's Insurance Program - N.C. Health Choice	93.767	12715376H1	5,578	1,751	-
Total State Children's Insurance Program - N.C. Health Choice			<u>424,503</u>	<u>133,663</u>	<u>-</u>
Health Resources and Service Administration					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant	93.994	B04MC26685	69,223	51,923	-
Total U.S. Dept. of Health and Human Services			<u>54,526,557</u>	<u>27,122,281</u>	<u>1,919,925</u>
Total Federal Awards			<u>57,339,270</u>	<u>27,138,187</u>	<u>2,306,651</u>
<b>State Awards:</b>					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
State Aid to Public Libraries		56-6000339-E	-	97,261	-
Total N.C. Dept. of Cultural Resources			<u>-</u>	<u>97,261</u>	<u>-</u>
<u>N.C. Dept. of Commerce</u>					
Industrial Development Fund / Utility Fund		566000339	-	500,000	-
Total N.C. Dept. of Commerce			<u>-</u>	<u>500,000</u>	<u>-</u>
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
White Goods Management Program		SWWG05052014011	-	-	-
Scrap Tire Program		SWS635	-	12,468	-
Total N.C. Dept. of Environmental and Natural Resources			<u>-</u>	<u>12,468</u>	<u>-</u>
<u>N.C. Department of Health and Human Services</u>					
Division of Aging and Adult Services					
Division of Social Services					
DCD Smart Start		566000339	-	14,197	-
Foster Care		566000339	-	11,053	-
Energy Assistance Private Grants		566000339	-	5,103	-
State Child Welfare/CPS/CS LD		566000339	-	71,631	-
IV-E Adoption		566000339	-	215	-
AFDC Incentive		566000339	-	719	-
CWS Adoption Subsidy & Vendor		566000339	-	165,314	27,663
Foster Care at Risk Maximization		566000339	-	655	339
State/County Special Assistance for Adults - DBP		566000339	-	352,052	352,052
SFHF Maximization		566000339	-	24,035	24,035
State Foster Home		566000339	-	12,837	12,837
Total Division of Social Services			<u>-</u>	<u>657,810</u>	<u>416,926</u>

**SCOTLAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2015**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Public Health					
Other Receipts/State Supported Expenditures					
Child Health		B04MC23398	-	977	-
General Aid to Counties		11011614110	-	104,455	-
General Communicable Disease Control		51011754510	-	7,855	-
Risk Reduction Health Promotion		81012624179	-	6,286	-
Women's Health Service Fund		15113A16012	-	2,101	-
HIV/STD State		566000339	-	400	-
HIV/STD SSBG Aid		566000339	-	100	-
Sexually Transmitted Diseases		566000339	-	331	-
Food and Lodging		87311534751	-	6,415	-
HMHC - Family Planning		566000339	-	4,544	-
Maternal Health		B04MC23398	-	5,034	-
Tuberculosis		55114604551	-	13,023	-
Tuberculosis Medical Service		55114604554	-	1,529	-
Total Division of Public Health			-	153,050	-
Total N. C. Department of Health and Human Services			-	810,860	416,926
<u>N.C. Dept. of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds		LEA 830	-	447,300	-
Total N.C. Dept. of Public Instruction			-	447,300	-
<u>N.C. Dept. of Public Safety</u>					
Juvenile Crime Prevention Programs		583-10939	-	152,332	-
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP) Cluster					
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	57,331	-
- ROAP Rural General Public Program		DOT-16CL	-	55,791	-
- ROAP Work First Transitional - Employment		DOT-16CL	-	20,603	-
Total ROAP Cluster			-	133,725	-
Total State awards			-	2,153,946	416,926
Total federal and State awards			57,339,270	29,292,133	2,723,577

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

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the programs of the federal government and the State of North Carolina for the year ended June 30, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of Scotland County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Scotland County.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

**Note 3: Subrecipients**

Of the federal and State expenditures presented in the schedule, Scotland County provided federal and State awards to subrecipients as follows:

Program Title	CFDA Number	Pass-through Grantor's Number	Federal Expenditures	State Expenditures
Industrial Development Fund / Utility Fund	N/A	Local	-	500,000
CDBG	N/A	Local	1,000,000	-
Public School Building Capital Fund - Lottery Proceeds	N/A	LEA 830	-	447,300
Juvenile Crime Prevention Programs	N/A	583-10939	-	152,332

**Note 4: Cluster of Programs**

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:  
Subsidized Child Care and Foster Care and Adoption

