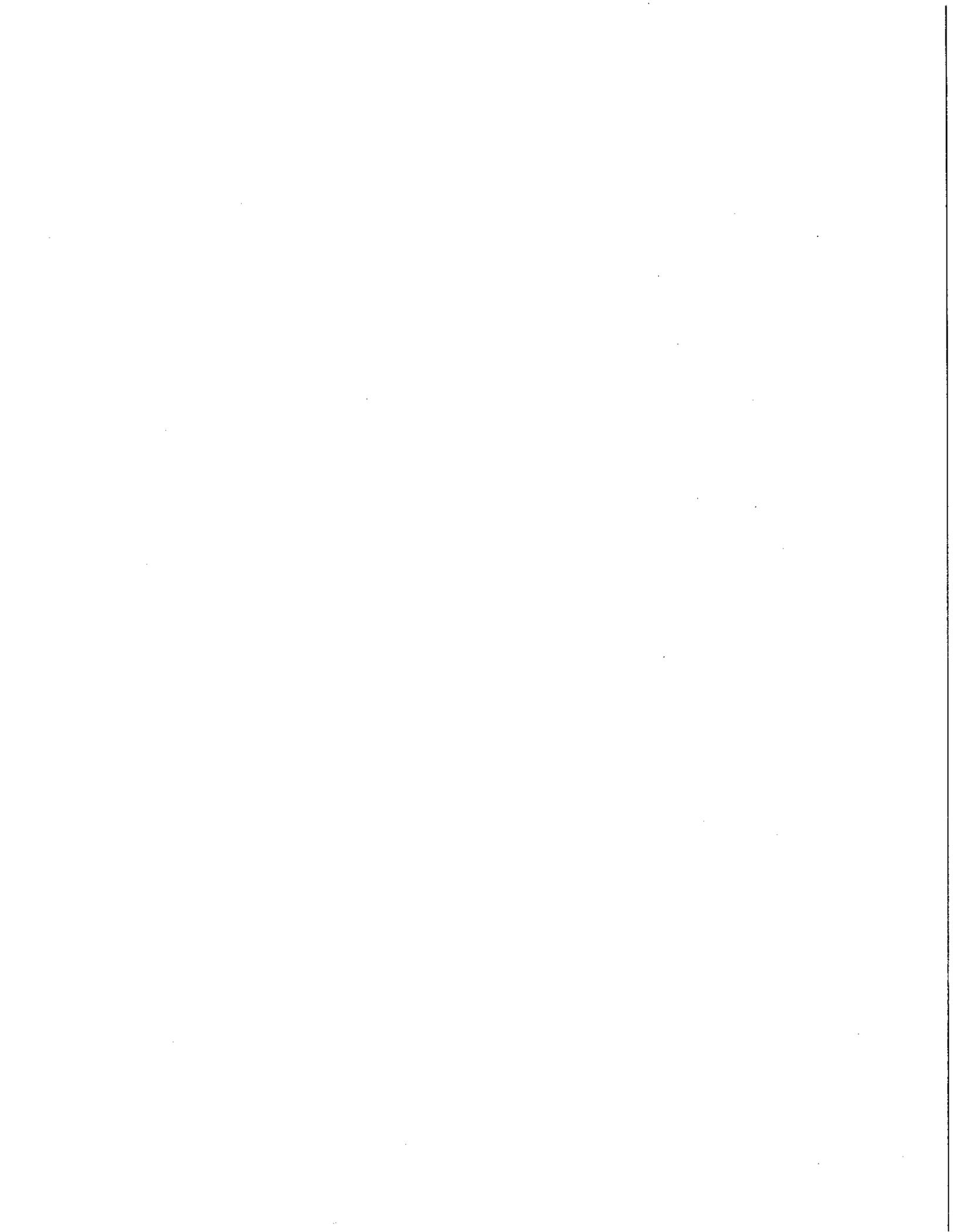


Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2016



SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Guy McCook, Commissioner

Carol H. McCall, Chair

John T. Alford, Commissioner

Betty Blue Gholston, Commissioner

Robert C. Davis, Commissioner

Whit Gibson, Vice Chair

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, 2016

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FINANCIAL SECTION

Parker, Wagoner & Roche, PLLC
Certified Public Accountants

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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, 2016, 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 19.09 percent, 9.45 percent, and 69.13 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. 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 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, the Scotland County Historic Properties Commission, and the Scotland County Economic Development Corporation 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, 2016, 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 Liability 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, 66 and 67, 68 and 69, and pages 70 through 73, 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 basic financial statements of Scotland County, North Carolina. The 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 *Title 2 U.S. Code of Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 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, Wagoner + Roche, PLLC

PARKER, WAGONER & ROCHE, PLLC
Laurinburg, North Carolina

December 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, 2016. 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

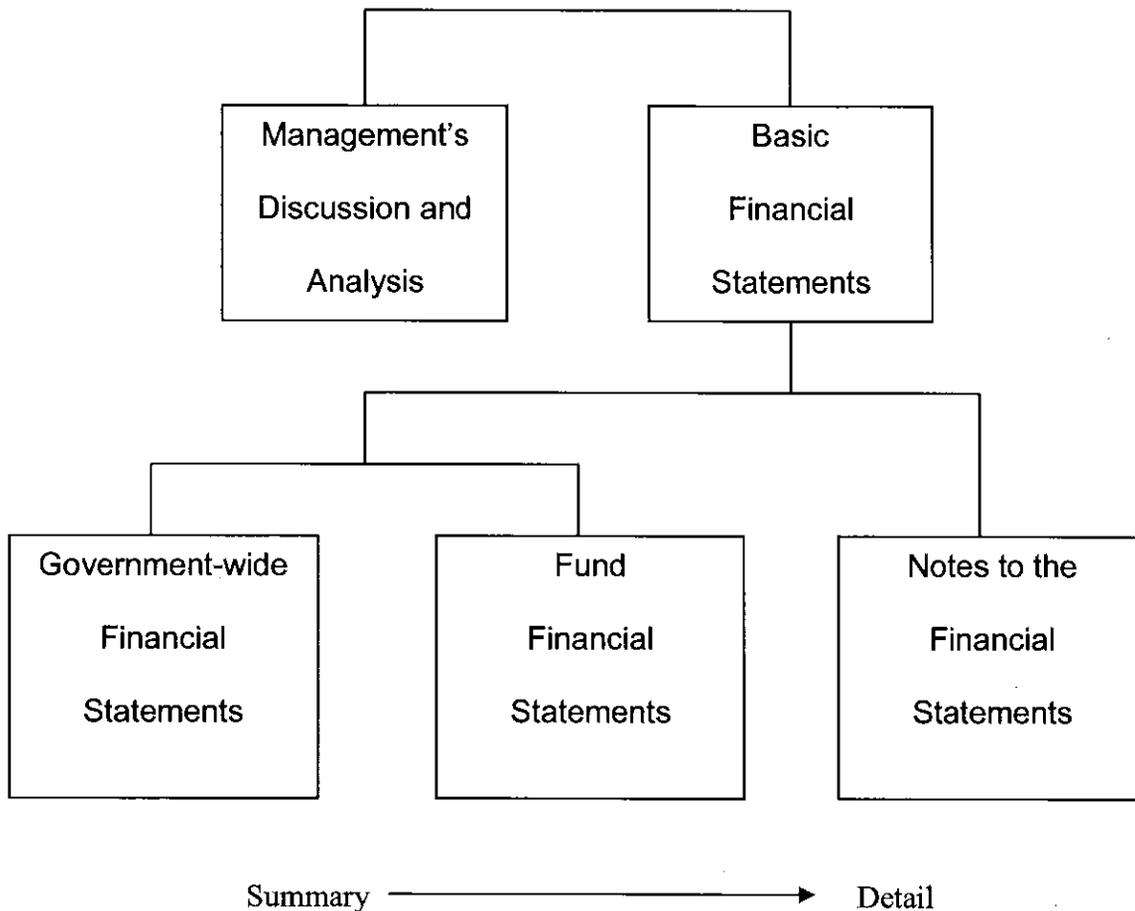
- The assets and deferred outflows of resources of Scotland County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,680,583 (*net position, exhibit 1*).
- The government's total net position increased by \$1,243,172 primarily due to increased tax collections, 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 \$13,886,536 (*exhibit 3*) an increase of \$801,152 in comparison with the prior year. Approximately 68.78 percent of this total amount, or \$9,550,653 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 \$9,550,653 or 23.92 percent of total General Fund expenditures for the fiscal year.

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 66 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 \$13,680,583 as of June 30, 2016. The County's net position increased by \$1,243,172 for the fiscal year ended June 30, 2016. One of the largest portions \$11,559,704 (84.50)% 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 \$4,016,258 29.36% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(1,895,379) (-13.85)% is unrestricted.

Scotland County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 18,070,834	\$ 18,572,792	\$ 1,473,594	\$ 826,119	\$ 19,544,428	\$ 19,398,911
Capital assets	9,617,221	10,281,145	8,347,775	8,553,667	17,964,996	18,834,812
Total assets	<u>27,688,055</u>	<u>28,853,937</u>	<u>9,821,369</u>	<u>9,379,786</u>	<u>37,509,424</u>	<u>38,233,723</u>
Total deferred outflows of resources	805,317	715,859	33,023	24,572	838,340	740,431
Long-term liabilities outstanding	14,816,044	14,604,736	8,130,575	8,200,440	22,946,619	22,805,176
Other liabilities	1,105,821	1,107,916	124,105	66,925	1,229,926	1,174,841
Total liabilities	<u>15,921,865</u>	<u>15,712,652</u>	<u>8,254,680</u>	<u>8,267,365</u>	<u>24,176,545</u>	<u>23,980,017</u>
Total deferred inflows of resources	473,384	2,483,800	17,253	72,926	490,637	2,556,726
Net position:						
Net investment in capital assets	9,190,429	9,153,252	2,369,275	2,372,782	11,559,704	11,526,034
Restricted	4,016,258	4,757,729	-	-	4,016,258	4,757,729
Unrestricted	(1,108,564)	(2,537,637)	(786,815)	(1,308,715)	(1,895,379)	(3,846,352)
Total net position	<u>\$ 12,098,123</u>	<u>\$ 11,373,344</u>	<u>\$ 1,582,460</u>	<u>\$ 1,064,067</u>	<u>\$ 13,680,583</u>	<u>\$ 12,437,411</u>

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 95.71% 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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,098,443	\$ 2,915,032	\$ 3,563,473	\$ 2,717,852	\$ 6,661,916	\$ 5,632,884
Operating grants and contributions	8,984,777	8,114,459	-	-	8,984,777	8,114,459
Capital grants	-	3,126,136	-	-	-	3,126,136
General revenues:						
Property taxes	22,488,520	22,306,333	-	-	22,488,520	22,306,333
Local option sales tax	6,056,018	5,822,427	-	-	6,056,018	5,822,427
Other taxes	475,315	380,136	-	-	475,315	380,136
Interest investment earnings	48,727	18,657	-	-	48,727	18,657
Other	380,122	581,198	-	-	380,122	581,198
Total revenues	41,531,922	43,264,378	3,563,473	2,717,852	45,095,395	45,982,230
Expenses:						
General government	2,453,502	2,629,528	-	-	2,453,502	2,629,528
Public safety	8,928,374	7,996,743	-	-	8,928,374	7,996,743
Economic and physical development	2,537,358	4,519,464	-	-	2,537,358	4,519,464
Central services	1,828,247	1,456,078	-	-	1,828,247	1,456,078
Human services	11,475,008	11,240,364	-	-	11,475,008	11,240,364
Cultural and recreation	1,381,755	1,133,967	-	-	1,381,755	1,133,967
Education	12,000,626	11,453,783	-	-	12,000,626	11,453,783
Revaluation	-	84,457	-	-	-	84,457
Interest on long-term debt	202,273	229,946	-	-	202,273	229,946
Solid waste	-	-	1,749,705	1,553,949	1,749,705	1,553,949
Water district I	-	-	669,717	660,542	669,717	660,542
Water district II	-	-	625,658	615,243	625,658	615,243
Total expenses	40,807,143	40,744,330	3,045,080	2,829,734	43,852,223	43,574,064
Increase (decrease) in net position before transfers	724,779	2,520,048	518,393	(111,882)	1,243,172	2,408,166
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	724,779	2,520,048	518,393	(111,882)	1,243,172	2,408,166
Net position beginning	11,373,344	10,204,106	1,064,067	1,217,726	12,437,411	11,421,832
Net position, beginning, restated	-	8,853,296	-	1,175,949	-	10,029,245
Net position ending	\$ 12,098,123	\$ 11,373,344	\$ 1,582,460	\$ 1,064,067	\$ 13,680,583	\$ 12,437,411

Governmental activities. Governmental activities increased the County's net position by \$724,779. The increase was due to increased tax collections and controlled expenditures.

Business-type activities: Business-type activities increased Scotland County's net position by \$518,393. The Proprietary Funds had an increase in net position primarily due to increased fees in all of the enterprise funds.

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 \$9,550,653, while total fund balance reached \$11,909,786. The Governing Body of Scotland County has determined that the County should maintain an available fund balance of 15% 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 23.68% of general fund expenditures, while total fund balance represents 29.83% of that same amount.

At June 30, 2016, the governmental funds of Scotland County reported a combined fund balance of \$13,886,536 a 6.1 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 \$684,313.

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 \$(2,199,695) and those for the Water District I Fund equaled \$1,212,084, and those for the Water District II Fund equaled \$200,796. The total change in net position for these funds was \$517,271, \$27,303 and \$(26,181), 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, 2016 totals \$17,964,996 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of mowers and air conditioning units for the Public Buildings Dept.
- Purchase of communication equipment for the 911 center.
- Purchase of vehicles and equipment for the 911 and EMS Depts.
- Purchase of equipment and vehicles for the Solid Waste Fund.
- Purchase of two fire trucks for the fire districts.
- Purchase of vehicles for the Sheriff's Dept.

SCOTLAND COUNTY'S CAPITAL ASSETS
(net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 42,542	\$ 126,959	\$ 314,334	\$ 314,334	\$ 356,876	\$ 441,293
Buildings and system	6,689,902	7,814,030	7,598,546	7,906,679	14,288,448	15,720,709
Machinery and equipment	1,421,966	1,606,870	6,086	6,945	1,428,052	1,613,815
Vehicles and motorized equipment	1,462,811	733,286	428,809	325,711	1,891,620	1,058,997
Total	\$ 9,617,221	\$ 10,281,145	\$ 8,347,775	\$ 8,553,669	\$ 17,964,996	\$ 18,834,814

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, 2016 Scotland County had total bonded debt outstanding of \$9,572,501 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 3,594,000	\$ 4,589,000	\$ 5,978,501	\$ 6,113,000	\$ 9,572,501	\$ 10,702,000
Installment purchases	2,590,715	2,927,893	-	67,885	2,590,715	2,995,778
Compensated absences	916,709	890,249	40,190	33,853	956,899	924,102
Net pension liability (LGRS)	753,069	-	31,377	-	784,446	-
OPEB	6,804,609	6,084,491	234,710	203,074	7,039,319	6,287,565
Total	\$ 14,659,102	\$ 14,491,633	\$ 5,978,501	\$ 6,180,885	\$ 20,637,603	\$ 20,672,518

Scotland County's General obligation and installment debt decreased by \$1,534,563 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 \$167,222,078.

Additional information regarding Scotland County's long-term debt can be found in Note 7a. beginning on Page 60 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 9.0% is higher than the state average of 5.0% as of July 2016. However, this is a reduction from last year's unemployment rates of 11.7% for the County and 5.9% for the state.
- In 2016, Pioneer made an investment of approximately \$9 million to provide additional warehouse space to its existing facility.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Governmental Activities: Property taxes are expected to decrease to \$1.02 per \$100 valuation. The Fire Service tax is 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 decrease approximately 1% to \$40,373,012. The largest increments are in employee compensation, including funding compensation and benefits adjustments.

Business-type Activities: The water and sewer 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 costs of water purchased from the City of Laurinburg.

An availability fee of \$55 and \$85 for the City and County residents, respectively, will remain constant for FY 2017. The revenues 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 or send an email to bhobbs@scotlandcounty.org for more information.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Scotland County, North Carolina
Statement of Net Position
June 30, 2016

	Primary Government			Component Units			
	Governmental Activities	Business- type Activities	Total	Scotland County ABC Board	Scotland Co. Historic Properties Commission	Scotland Co. Tourism Development Authority	Scotland Co. Economic Development Corporation
ASSETS							
Cash and cash equivalents	11,001,279	1,247,907	12,249,186	175,310	34,616	197,355	112,152
Inventory	-	-	-	156,136	-	-	-
Receivables (net):							
Taxes	2,955,790	-	2,955,790	-	-	-	-
Accounts	156,854	207,362	364,216	-	-	30,608	-
Due from other governments	2,139,800	128,949	2,268,749	-	-	-	-
Due (to) from other funds	121,124	(121,124)	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	51,041
Prepaid expenses	31,591	10,500	42,091	3,636	-	-	2,773
Restricted cash	1,598,482	-	1,598,482	-	30,387	-	167,000
Net pension asset	65,914	-	65,914	-	-	-	-
Capital assets:							
Land, improvements and construction in progress	42,542	314,334	356,876	19,000	291,053	-	540,362
Other capital assets, net of depreciation	9,574,679	8,033,441	17,608,120	150,956	371,247	-	1,476,545
Total capital assets	9,617,221	8,347,775	17,964,996	169,956	662,300	-	2,016,907
Total assets	27,688,055	9,821,369	37,509,424	505,038	727,303	227,963	2,349,873
DEFERRED OUTFLOWS OF RESOURCES	805,317	33,023	838,340	9,117	-	-	-
LIABILITIES							
Accounts payable and accrued liabilities	1,105,821	124,105	1,229,926	152,863	-	3,214	739
Long-term liabilities:							
Net pension liability-LGERS	753,069	31,377	784,446	-	-	-	-
Net pension liability-LEO	156,942	-	156,942	-	-	-	-
Net pension liability-ABC	-	-	-	10,995	-	-	-
Due within one year	1,321,717	141,000	1,462,717	-	-	-	-
Due in more than one year	12,584,316	7,958,198	20,542,514	-	-	-	-
Total long-term liabilities	14,816,044	8,130,575	22,946,619	-	-	-	-
Total liabilities	15,921,865	8,254,680	24,176,545	163,858	-	3,214	739
DEFERRED INFLOWS OF RESOURCES							
Prepaid taxes	56,772	-	56,772	-	-	-	-
Pension deferrals	416,612	17,253	433,865	5,715	-	-	-
Total deferred inflows of resources	473,384	17,253	490,637	5,715	-	-	-
NET POSITION							
Net investment in capital assets	9,190,429	2,369,275	11,559,704	169,956	662,300	-	2,016,907
Restricted for:							
Fire protection	1,387,795	-	1,387,795	-	-	-	-
Emergency telephone	210,687	-	210,687	-	-	-	-
Cultural and recreation	-	-	-	-	30,387	-	-
Economic development	-	-	-	-	-	-	167,000
Stabilization by State statute	2,417,776	-	2,417,776	-	-	30,608	-
Working capital	-	-	-	56,240	-	-	-
Unrestricted	(1,108,564)	(786,815)	(1,895,379)	118,386	34,616	194,141	165,227
Total net position	<u>\$ 12,098,123</u>	<u>\$ 1,582,460</u>	<u>\$ 13,680,583</u>	<u>\$ 344,582</u>	<u>\$ 727,303</u>	<u>\$ 224,749</u>	<u>\$ 2,349,134</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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position							
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Primary Government			Component Units				
					Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission	Scotland County Tourism Development Authority	Scotland County Economic Development Corporation	
Primary government:												
Governmental activities:												
General government	2,453,502	445,755	-	-	(2,007,747)	-	(2,007,747)	-	-	-	-	-
Public safety	8,928,374	2,072,790	-	-	(6,855,584)	-	(6,855,584)	-	-	-	-	-
Economic and physical development	2,537,358	-	550,000	-	(1,987,358)	-	(1,987,358)	-	-	-	-	-
Central service	1,828,247	-	-	-	(1,828,247)	-	(1,828,247)	-	-	-	-	-
Human services	11,475,008	46,277	8,434,777	-	(2,993,954)	-	(2,993,954)	-	-	-	-	-
Cultural and recreational	1,381,755	129,977	-	-	(1,251,778)	-	(1,251,778)	-	-	-	-	-
Education	12,000,626	403,644	-	-	(11,596,982)	-	(11,596,982)	-	-	-	-	-
Interest on long-term debt	202,273	-	-	-	(202,273)	-	(202,273)	-	-	-	-	-
Total governmental activities	40,807,143	3,098,443	8,984,777	-	(28,723,923)	-	(28,723,923)	-	-	-	-	-
Business-type activities:												
Public Works	1,749,705	2,266,976	-	-	-	517,271	517,271	-	-	-	-	-
Water District Phase I	669,717	697,020	-	-	-	27,303	27,303	-	-	-	-	-
Water District Phase II	625,658	599,477	-	-	-	(26,181)	(26,181)	-	-	-	-	-
Total business-type activities	3,045,080	3,563,473	-	-	-	518,393	518,393	-	-	-	-	-
Component units:												
ABC Board	1,462,256	1,462,222	-	-	-	-	-	(34)	-	-	-	-
Historic Properties	67,208	-	42,520	-	-	-	-	-	(24,688)	-	-	-
Scotland County Tourism Development	339,858	-	-	-	-	-	-	-	-	(339,858)	-	-
Scotland County Economic Development Co.	110,831	33,000	187,000	-	-	-	-	-	-	-	-	109,169
Total component units	1,980,153	1,495,222	229,520	-	-	-	-	(34)	(24,688)	(339,858)	-	109,169

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, 2016

	Net (Expense) Revenue and Changes in Net Position						
	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Historic Properties Commission	Scotland County Tourism Development Authority	Scotland County Economic Development Corporation
General revenues:							
Taxes:							
Property taxes, levied for general purpose	\$22,488,520	\$ -	\$ 22,488,520	\$ -	\$ -	\$ -	\$ -
Local option sales tax	6,056,018	-	6,056,018	-	-	365,295	-
Other taxes and licenses	475,315	-	475,315	-	-	-	-
Investment earnings, unrestricted	48,727	-	48,727	34	585	-	659
Miscellaneous, unrestricted	380,122	-	380,122	68,898	14,463	-	40,355
Total general revenues, special items, and transfers	<u>29,448,702</u>	<u>-</u>	<u>29,448,702</u>	<u>68,932</u>	<u>15,048</u>	<u>365,295</u>	<u>41,014</u>
Change in net position	724,779	518,393	1,243,172	68,898	(9,640)	25,437	150,183
Net position beginning	<u>11,373,344</u>	<u>1,064,067</u>	<u>12,437,411</u>	<u>275,684</u>	<u>736,943</u>	<u>199,312</u>	<u>2,198,951</u>
Net position-ending	<u>\$ 12,098,123</u>	<u>\$ 1,582,460</u>	<u>\$ 13,680,583</u>	<u>\$ 344,582</u>	<u>\$ 727,303</u>	<u>\$ 224,749</u>	<u>\$ 2,349,134</u>

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

Scotland County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2016

	Major	Non-Major	Total
	General	Other Governmental Funds	
ASSETS			
Cash and cash equivalents	\$ 10,713,246	\$ 288,034	\$11,001,280
Restricted cash	-	1,598,481	1,598,481
Receivables (net)			
Taxes	2,896,918	58,872	2,955,790
Accounts	156,854	-	156,854
Prepaid expense	27,100	4,491	31,591
Due from other governments	2,054,056	85,744	2,139,800
Due from other funds	121,124	-	121,124
Total assets	<u>\$ 15,969,298</u>	<u>\$ 2,035,622</u>	<u>\$18,004,920</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	1,105,822	-	1,105,822
Total liabilities	<u>1,105,822</u>	<u>-</u>	<u>1,105,822</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	2,896,918	58,872	2,955,790
Prepaid taxes	56,772	-	56,772
Total deferred inflows of resources	<u>2,953,690</u>	<u>58,872</u>	<u>3,012,562</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	27,100	4,491	31,591
Restricted:			
Stabilization by State statute	2,332,033	85,743	2,417,776
Fire protection	-	1,387,795	1,387,795
Emergency telephone	-	210,687	210,687
Committed:			
Tax revaluation	-	288,034	288,034
Unassigned:			
Total fund balances	<u>9,550,653</u>	<u>-</u>	<u>9,550,653</u>
Total fund balances	<u>11,909,786</u>	<u>1,976,750</u>	<u>13,886,536</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,969,298</u>	<u>\$ 2,035,622</u>	<u>\$18,004,920</u>

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

Total fund balance, governmental funds	13,886,536
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,617,221
Net pension asset	65,914
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	727,911
Net pension liability	(910,011)
Deferred inflows of resources for taxes and special assessments receivable.	2,955,790
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.	(13,906,033)
Pension related deferrals	(339,205)
Net position of governmental activities	<u>\$12,098,123</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, 2016

	Major	Non-Major	
	General Fund	Other Governmental Funds	Total
REVENUES			
Ad valorem taxes	\$ 22,242,757	\$ 588,689	\$ 22,831,446
Local option sales taxes	5,775,637	280,381	6,056,018
Other taxes and licenses	58,017	336,133	394,150
Unrestricted intergovernmental	193,992	-	193,992
Restricted intergovernmental	9,438,346	-	9,438,346
Permits and fees	445,755	-	445,755
Sales and services	2,017,840	-	2,017,840
Investment earnings	42,639	6,088	48,727
Fines, forfeitures	181,279	-	181,279
Miscellaneous	267,297	-	267,297
Total revenues	<u>40,663,559</u>	<u>1,211,291</u>	<u>41,874,850</u>
EXPENDITURES			
Current:			
General government	2,176,953	-	2,176,953
Public safety	8,169,222	582,765	8,751,987
Economic & physical development	1,614,544	-	1,614,544
Central service	1,929,112	-	1,929,112
Human services	11,240,396	-	11,240,396
Cultural and recreational	1,091,602	-	1,091,602
Intergovernmental:			
Education	12,000,626	-	12,000,626
Other expenditures	170,332	10,167	180,499
Capital outlay	-	553,528	553,528
Debt service:			
Principal retirement	1,332,177	-	1,332,177
Interest	202,273	-	202,273
Total expenditures	<u>39,927,237</u>	<u>1,146,460</u>	<u>41,073,697</u>
Excess of revenues over expenditures	736,322	64,831	801,152
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds	(404,120)	404,120	-
Total other financing sources (uses)	<u>(404,120)</u>	<u>404,120</u>	<u>-</u>
Net change in fund balance	332,202	468,950	801,152
Fund balances - beginning	<u>11,577,584</u>	<u>1,507,800</u>	<u>13,085,384</u>
Fund balances - ending	<u>\$ 11,909,786</u>	<u>\$ 1,976,750</u>	<u>\$ 13,886,536</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, 2016

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

Net changes in fund balances - total governmental funds	\$ 801,152
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.	202,425
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(268,024)
Transfer of capital asset to local entity	(598,324)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	727,911
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(342,926)
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.	1,332,178
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>(1,129,613)</u>
Total changes in net position of governmental activities	<u>\$ 724,779</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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 22,287,245	\$ 22,262,644	\$ 22,242,757	\$ (19,887)
Local option sales taxes	5,627,356	5,702,243	5,775,637	73,394
Other taxes and licenses	90,000	90,000	58,017	(31,983)
Unrestricted intergovernmental	170,000	174,165	193,992	19,827
Restricted intergovernmental	8,923,529	9,838,455	9,438,346	(400,109)
Permits and fees	325,520	444,445	445,755	1,310
Sales and services	1,300,651	2,075,356	2,017,840	(57,516)
Investment earnings	10,650	39,250	42,639	3,389
Fines, forfeitures	275,000	378,918	181,279	(197,639)
Miscellaneous	894,700	342,396	267,297	(75,099)
Total revenues	39,904,651	41,347,872	40,663,559	(684,313)
Expenditures:				
Current:				
General government	2,499,750	2,363,944	2,176,953	186,991
Public safety	8,421,146	9,051,699	8,169,222	882,477
Economic and physical development	1,134,069	1,857,564	1,614,544	243,020
Central services	1,860,692	2,156,883	1,929,112	227,771
Human services	11,578,265	11,842,391	11,240,396	601,995
Cultural and recreational	1,175,962	1,237,506	1,091,602	145,904
Other expenditures	170,332	170,332	170,332	-
Intergovernmental:				
Education	11,882,019	12,116,775	12,000,626	116,149
Debt service:				
Principal retirement	1,332,177	1,406,356	1,332,177	74,179
Interest	276,452	202,273	202,273	-
Total expenditures	40,330,864	42,405,723	39,927,237	2,478,486
Excess of revenues over (under) expenditures	(426,213)	(1,057,851)	736,322	1,794,173
Other financing sources (uses):				
Transfers (to) other funds	(75,000)	(404,120)	(404,120)	-
Total other financing sources (uses)	(75,000)	(404,120)	(404,120)	-
Appropriated fund balance	501,213	1,461,971	-	(1,461,971)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ 332,202	<u>\$ 332,202</u>
Fund balances - beginning			11,577,584	
Fund balances - ending			<u>\$ 11,909,786</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, 2016

	Enterprise Funds			
	Public Works Fund	Blended Component Units		Total
		Water District I Fund	Water District II Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 394	\$ 1,137,643	\$ 109,870	\$ 1,247,907
Accounts receivable, net	110,081	53,696	43,585	207,362
Due from other governments	24,521	57,087	47,341	128,949
Prepaid expenses	10,500	-	-	10,500
Total current assets	<u>145,496</u>	<u>1,248,426</u>	<u>200,796</u>	<u>1,594,718</u>
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	314,334	-	-	314,334
Other capital assets, net of depreciation	534,403	2,293,620	5,205,418	8,033,441
Total capital assets	<u>848,737</u>	<u>2,293,620</u>	<u>5,205,418</u>	<u>8,347,775</u>
Total assets	<u>994,233</u>	<u>3,542,046</u>	<u>5,406,214</u>	<u>9,942,493</u>
Deferred outflows of resources				
pension deferrals	24,767	8,256	-	33,023
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	96,318	27,787	-	124,105
General obligation bonds payable	-	49,000	92,000	141,000
Due to other funds	121,124	-	-	121,124
Total current liabilities	<u>217,442</u>	<u>76,787</u>	<u>92,000</u>	<u>386,229</u>
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,845,797	-	-	1,845,797
Other post employment benefits	234,710	-	-	234,710
Compensated absences payable	35,536	4,654	-	40,190
Net pension liability	23,533	7,844	-	31,377
General obligation bonds payable	-	1,529,000	4,308,500	5,837,500
Total noncurrent liabilities	<u>2,139,576</u>	<u>1,541,498</u>	<u>4,308,500</u>	<u>7,989,574</u>
Total liabilities	<u>2,357,018</u>	<u>1,618,285</u>	<u>4,400,500</u>	<u>8,375,803</u>
Deferred inflows of resources				
pension deferrals	12,940	4,313	-	17,253
NET POSITION				
Net investment in capital assets	848,737	715,620	804,918	2,369,275
Unrestricted	(2,199,695)	1,212,084	200,796	(786,815)
Total net position	<u>\$ (1,350,958)</u>	<u>\$ 1,927,704</u>	<u>\$ 1,005,714</u>	<u>\$ 1,582,460</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District I Fund	Water District II Fund	
Operating revenues:				
Charges for services	\$ 1,248,697	\$ 697,020	\$ 599,477	\$ 2,545,194
Availability fees	897,918	-	-	897,918
Other operating revenues	120,361	-	-	120,361
Total operating revenues	2,266,976	697,020	599,477	3,563,473
Operating expenses:				
Water purchases	-	286,779	163,493	450,272
Water operations	-	189,649	87,668	277,317
Landfill operations	1,598,747	-	-	1,598,747
Landfill closure and postclosure care costs	63,169	-	-	63,169
Depreciation	86,350	114,095	183,736	384,181
Total operating expenses	1,748,266	590,523	434,897	2,773,686
Operating income	518,710	106,497	164,580	789,787
Nonoperating (expenses):				
Interest	(1,439)	(79,194)	(190,761)	(271,394)
Total nonoperating (expenses)	(1,439)	(79,194)	(190,761)	(271,394)
Change in net position	517,271	27,303	(26,181)	518,393
Net position - beginning	(1,868,229)	1,900,401	1,031,895	1,064,067
Net position - ending	<u>\$(1,350,958)</u>	<u>\$1,927,704</u>	<u>\$1,005,714</u>	<u>\$1,582,460</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, 2016

	Business-type Activities Enterprise Funds			Totals
	Public Works Fund	Water District I Fund	Water District II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,253,812	\$ 697,075	\$ 592,540	\$ 3,543,427
Cash paid for goods and services	(1,047,428)	(418,359)	(252,390)	(1,718,177)
Cash paid to or on behalf of employees for services	(474,172)	(43,989)	-	(518,161)
Net cash provided by operating activities	732,212	234,727	340,150	1,307,089
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Decrease) (from) other funds	(484,682)	-	-	(484,682)
Total cash flows (used in) financing activities	(484,682)	-	-	(484,682)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(178,287)	-	-	(178,287)
Interest paid on bond maturities and equipment contracts	(1,439)	(79,194)	(190,761)	(271,394)
Principal paid on bond maturities and equipment contracts	(67,885)	(46,500)	(88,000)	(202,385)
Net cash (used in) capital and related financing activities	(247,611)	(125,694)	(278,761)	(652,066)
Net increase (decrease) in cash and cash equivalents	(81)	109,033	61,389	170,341
Balances - beginning of the year	475	1,028,610	48,481	1,077,566
Balances - end of the year	<u>\$ 394</u>	<u>\$ 1,137,643</u>	<u>\$ 109,870</u>	<u>\$ 1,247,907</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, 2016

	Business-type Activities			Totals
	Enterprise Funds			
	Public Works Fund	Water District I Fund	Water District II Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 518,710	\$ 106,497	\$ 164,580	\$ 789,787
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	86,350	114,095	183,736	384,181
Provision for uncollectible accounts	(6,190)	(586)	(879)	(7,655)
Landfill closure and postclosure care costs	63,169	-	-	63,169
Changes in assets, liabilities and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	(1,114)	213	(6,937)	(7,838)
(Increase) in prepaid items	(10,500)	-	-	(10,500)
Decrease in net pension asset	19,690	9,845	-	29,535
Decrease in deferred outflows of resources - pensions	2,082	6,368	-	8,450
Increase in net pension liability	23,533	7,844	-	31,377
Decrease in deferred inflows of resources - pensions	(35,678)	(19,995)	-	(55,673)
(Decrease) increase in accounts payable and accrued liabilities	34,854	9,779	(350)	44,283
Increase in accrued vacation pay	5,670	667	-	6,337
Increase in OPEB payable	31,636	-	-	31,636
Total adjustment	213,502	128,230	175,570	517,302
Net cash provided by operating activities	<u>\$ 732,212</u>	<u>\$ 234,727</u>	<u>\$ 340,150</u>	<u>\$ 1,307,089</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, 2016

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 278,621</u>
Liabilities	
Miscellaneous liabilities	<u>\$ 278,621</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, 2016

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*), Scotland County Tourism Development Authority (the *TDA*), and Scotland County Economic Development Corporation (the *Corporation*), 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 224 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
Scotland County Economic Development Corporation	Discrete	The County's governing board appoints the members of the authority and the ability to impose its will on the organization.	Scotland County Economic Development Corporation 16800-A US Hwy. 401 Bypass Laurinburg, NC 28352

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 six legally budgeted funds. 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, Scotland County Economic Development Corporation, 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, the Economic Development Corporation, 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, the Economic Development Corporation, 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, the Economic Development Corporation, 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, the Economic Development Corporation, 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, Scotland County Economic Development Corporation, 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 86 for restricted purposes.

Scotland County Restricted Cash

Governmental Activities:	
Fire Service District Fund	1,387,795
Emergency Telephone Fund	<u>210,686</u>
Total Restricted Cash	<u>1,598,481</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, 2015. 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 received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

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

Capital assets of the Economic Development Corporation are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Buildings	40
Land Improvements	40
Furniture and equipment	5-20

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, the Scotland County Economic Development Corporation, 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 \$(1,788,413) 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)	\$ 20,297,878
Less accumulated depreciation	<u>(10,680,657)</u>
Net capital assets	9,617,221
Net pension asset	65,914
Contributions to the pension plan in the current fiscal year	727,911
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	2,955,790
Pension related deferrals	(339,205)
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	(6,184,715)
Compensated absences	(916,709)
Other post-employment benefits	(6,804,609)
Net pension liability	<u>(910,011)</u>
Total adjustment	<u>\$ (1,788,413)</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 \$(76,373) is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities.	\$ 1,191,547
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.	(989,122)
Cost of capital asset disposed of during the year, not recognized on modified accrual.	(268,024)
Transfer of capital asset to local entity	(598,324)
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.	1,332,178
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	727,911
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	(26,460)
Other postemployment benefits	(720,118)
Pension expense	(383,035)
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	(342,926)
Total adjustment	<u>\$ (76,373)</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, 2016 in the amount of \$(1,350,958). A corrective action plan has been outlined in the compliance section of this report. See significant deficiency 2016-001 on Page 113.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2016, expenditures made in various General Fund departments exceeded the authorized appropriations made by the governing board. Management and the board will more closely review the budget reports to ensure compliance in future years. See significant deficiency 2016-002 on Page 113.

C. Excess Appropriations of Net Assets

In the Solid Waste Fund, net assets were appropriated for fiscal year ended June 30, 2016 when there was none to appropriate which is a violation of General Statute Reference 159-8(a). See significant deficiency 2016-003 on Page 113.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, the Historic Properties Commission's, the Tourism Development Authority's, the Economic Development Corporation'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, the Economic Development Corporation'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, the Economic Development Corporation, 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, the Economic Development Corporation 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, the Tourism Development Authority or the Economic Development Corporation 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 County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Historic Properties Commission, the ABC Board, the Tourism Development Authority and the Economic Development Corporation have no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the County's deposits had a carrying amount of \$1,847,998 and a bank balance of \$2,446,906. Of the bank balance \$282,054 was covered by federal depository insurance, and \$1,743,225 in non-interest bearing deposits and \$421,627 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2016, Scotland County had \$2,375 cash on hand.

At June 30, 2016, the carrying amount of deposits for Scotland County ABC Board was \$173,069 and the bank balance was \$201,701. All of the bank balance was covered by federal depository insurance.

At June 30, 2016, the carrying amount of deposits for Scotland Co. Historic Properties Comm. was \$65,003 and the bank balance was \$65,553. All of the bank balance was covered by federal depository insurance.

At June 30, 2016, the carrying amount of deposits for Scotland Co. Tourism Dev. Authority was \$197,355 and the bank balance was \$197,355. All of the bank balance was covered by federal depository insurance.

At June 30, 2016, the carrying amount of deposits for Scotland Co. Economic Dev. Corporation was \$279,152 and the bank balance was \$279,152. 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, 2016, the County's investments consisted of \$12,275,916 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.

Investment Type	Valuation	Fair Value	Less than	6-12 Months
	Measurement Method		6 Months	
NC Capital Management Trust-Portfolio	Amortized Cost	12,275,916.00	N/A	N/A

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

The Historic Properties Commission, the ABC Board, the Tourism Development Authority and the Economic Development Corporation 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 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	823,779	43,367	867,146
2016	836,695	48,110	884,805
Totals	<u>4,701,322</u>	<u>266,326</u>	<u>4,967,648</u>

4. Receivables

Receivables at the government-wide level at June 30, 2016, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from other Governments	Total
Governmental activities:				
General	\$ 156,854	\$ 3,049,387	\$ 2,054,056	\$ 5,260,297
Other governmental	-	58,872	85,744	144,616
Total receivables	156,854	3,108,259	2,139,800	5,404,913
Allowance for doubtful accounts	-	(152,469)	-	(152,469)
Total - governmental activities	\$ 156,854	\$ 2,955,790	\$ 2,139,800	\$ 5,252,444
Business-type activities:				
Public works	\$ 116,147	\$ -	\$ 24,521	\$ 140,668
Water district I	60,060	-	57,087	117,147
Water district II	48,972	-	47,341	96,313
Total receivables	225,179	-	128,949	354,128
Allowance for doubtful accounts	(17,817)	-	-	(17,817)
Total - business-type activities	\$ 207,362	\$ -	\$ 128,949	\$ 336,311

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

Local option sales tax/sales tax refunds	\$ 2,164,321
Due from local government/City of Laurinburg	104,428
	<u>\$ 2,268,749</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 126,959	\$ 42,542	\$ 126,959	\$ 42,542
Total capital assets not being depreciated	126,959	42,542	126,959	42,542
Capital assets being depreciated:				
Buildings & improvements	12,909,170		720,873	12,188,297
Equipment and furniture	3,042,634	194,600	221,053	3,016,181
Vehicles and motorized equipment	4,187,681	954,405	91,228	5,050,858
Total capital assets being depreciated	20,139,485	1,149,005	1,033,154	20,255,336
Less accumulated depreciation for:				
Buildings & improvements	5,095,140	525,803	122,548	5,498,395
Equipment and furniture	1,435,764	238,439	79,988	1,594,215
Vehicles and motorized equipment	3,454,395	224,880	91,228	3,588,047
Total accumulated depreciation	9,985,299	989,122	293,764	10,680,657
Total capital assets being depreciated, net	10,154,186			9,574,679
Governmental activity capital assets, net	<u>\$ 10,281,145</u>			<u>\$ 9,617,221</u>

Primary Government

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

General government	\$ 216,662
Public safety	447,814
Central service	55,738
Human services	120,138
Economic and physical development	781
Cultural and recreational	147,989
Total depreciation expense	<u>\$ 989,122</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Landfill				
Capital assets not being depreciated:				
Land	\$ 314,334	\$ -	\$ -	\$ 314,334
Capital assets being depreciated:				
Buildings	867,187	-	-	867,187
Improvements	344,366	-	-	344,366
Equipment and furniture	45,397	-	8,234	37,163
Vehicles and motorized equipment	2,419,601	178,287	982,480	1,615,408
Total capital assets being depreciated	<u>3,676,551</u>	<u>178,287</u>	<u>990,714</u>	<u>2,864,124</u>
Less accumulated depreciation for:				
Buildings	845,420	4,939	-	\$ 850,359
Improvements	249,378	6,222	-	255,600
Equipment and furniture	45,397	-	8,234	37,163
Vehicles and motorized equipment	2,093,890	75,189	982,480	1,186,599
Total accumulated depreciation	<u>3,234,085</u>	<u>\$ 86,350</u>	<u>\$ 990,714</u>	<u>2,329,721</u>
Total capital assets being depreciated, net	<u>442,466</u>			<u>534,403</u>
Landfill capital assets, net	<u>\$ 756,800</u>			<u>\$ 848,737</u>
Scotland County Water District I				
Capital assets being depreciated:				
Plant and distribution systems	4,529,450	-	-	\$ 4,529,450
Furniture and maintenance equipment	8,592	-	-	8,592
Total capital assets being depreciated	<u>4,538,042</u>	<u>-</u>	<u>-</u>	<u>4,538,042</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,128,680	113,236	-	2,241,916
Furniture and maintenance equipment	1,647	859	-	2,506
Total accumulated depreciation	<u>2,130,327</u>	<u>\$ 114,095</u>	<u>\$ -</u>	<u>2,244,422</u>
Total capital assets being depreciated, net	<u>2,407,715</u>			<u>2,293,620</u>
Scotland County Water District I capital assets, net	<u>\$ 2,407,715</u>			<u>\$ 2,293,620</u>
Scotland County Water District II				
Capital assets being depreciated:				
Plant and distribution systems	\$ 7,349,440	-	-	\$ 7,349,440
Total capital assets being depreciated	<u>7,349,440</u>	<u>-</u>	<u>-</u>	<u>7,349,440</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,960,286	183,736	-	2,144,022
Total accumulated depreciation	<u>1,960,286</u>	<u>\$ 183,736</u>	<u>\$ -</u>	<u>2,144,022</u>
Total capital assets being depreciated, net	<u>5,389,154</u>			<u>5,205,418</u>
Scotland County Water District II capital assets, net	<u>5,389,154</u>			<u>5,205,418</u>
Business-type activities capital assets, net	<u>\$ 8,553,669</u>			<u>\$ 8,347,775</u>

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	241,383	78,144	-	319,527
Furniture and equipment	72,113	-	-	72,113
Total capital assets being depreciated	<u>313,496</u>	<u>78,144</u>	<u>-</u>	<u>391,640</u>
Less accumulated depreciation for:				
Buildings	162,055	6,533	-	168,588
Furniture & equipment	70,236	1,860	-	72,096
Total accumulated depreciation	<u>232,291</u>	<u>8,393</u>	<u>-</u>	<u>240,684</u>
Total capital assets being depreciated, net	<u>81,205</u>			<u>150,956</u>
Capital assets, net	<u>\$ 100,205</u>			<u>\$ 169,956</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 215,000	\$ -	\$ -	\$ 215,000
Artifacts	5,000	-	-	5,000
Historic buildings	71,053	-	-	71,053
Total capital assets not being depreciated	291,053	-	-	291,053
Capital assets being depreciated:				
Buildings	476,577	32,384	-	508,961
Furniture and equipment	233,751	-	-	233,751
Total capital assets being depreciated	<u>710,328</u>	<u>32,384</u>	<u>-</u>	<u>742,712</u>
Less accumulated depreciation for:				
Buildings	214,112	15,547	-	229,659
Equipment	132,037	9,769	-	141,806
Total accumulated depreciation	<u>346,149</u>	<u>25,316</u>	<u>-</u>	<u>371,465</u>
Total capital assets being depreciated, net	<u>364,179</u>			<u>371,247</u>
Commission capital assets, net	<u>\$ 655,232</u>			<u>\$ 662,300</u>

Activity for the Scotland County Economic Development Corporation for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 540,362	\$ -	\$ -	\$ 540,362
Total capital assets not being depreciated	540,362	-	-	540,362
Capital assets being depreciated:				
Buildings	1,553,944	-	-	1,553,944
Furniture and equipment	19,903	19,440	-	39,343
Total capital assets being depreciated	1,573,847	19,440	-	1,593,287
Less accumulated depreciation for:				
Buildings	73,339	33,849	-	107,188
Furniture & equipment	6,549	3,005	-	9,554
Total accumulated depreciation	79,888	36,854	-	116,742
Total capital assets being depreciated, net	1,493,959			1,476,545
Capital assets, net	<u>\$2,034,321</u>			<u>\$ 2,016,907</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, 2016 were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental activities:				
General	\$1,484,131	\$ 655,669	\$ -	\$ 2,139,800
Total - governmental activities	<u>\$1,484,131</u>	<u>\$ 655,669</u>	<u>\$ -</u>	<u>\$ 2,139,800</u>
Business-type activities:				
Public works	\$ 75,845	\$ 20,473	\$ -	\$ 96,318
Water and sewer districts	26,038	1,749	-	27,787
Total - business-type activities	<u>\$ 101,883</u>	<u>\$ 22,222</u>	<u>\$ -</u>	<u>\$ 124,105</u>

2. Pension Plan and Other Postemployment 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.

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 or rescue squad workers). 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, 2016, was 7.15% of compensation for law enforcement officers and 6.78% 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 \$749,613 for the year ended June 30, 2016.

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, 2016, the County reported a liability of \$784,446 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability 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, 2015, the County’s proportion was .175%, which was an increase of .01% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$360,182. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 184,390
Net difference between projected and actual earnings on pension plan investments	-	223,330
Changes in proportion and differences between contributions and proportionate share of contributions	75,940	23,604
Employer contributions subsequent to the measurement date	<u>756,313</u>	<u>-</u>
Total	<u>\$ 832,253</u>	<u>\$ 431,324</u>

\$825,553 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (248,233)
2018	(248,233)
2019	(247,872)
2020	388,954
2021	-
Thereafter	<u>-</u>
	<u>\$ (355,384)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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, 2015 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	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.00%. All rates of return and inflation are annualized.

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)	5,470,058	784,447	3,163,077

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 6.78% and 7.18%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees is 6.67% 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, 2016, 2015 and 2014 were \$749,613, \$740,748, and \$703,825, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2016, 2015 and 2014 were \$9,117, \$9,952 and \$24,722, 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, 2015, 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>41</u>
Total	<u>46</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 on a pay as you go basis through appropriations made in the General Fund operating budget. For the current year, the County contributed \$53,425, or 3.34% 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, 2015 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	\$ 101,548
Interest on net pension obligation	5,655
Adjustment to annual required contribution	(9,939)
Annual pension cost	97,264
Contributions made	<u>53,425</u>
Increase in net pension obligation	43,839
Net pension obligation beginning of year	<u>113,103</u>
Net pension obligation end of year	<u>\$ 156,942</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	65,920	72.54%	83,282
2015	81,663	63.48%	113,103
2016	97,264	54.93%	156,942

4. Funded Status and Funding Progress

As of December 31, 2015 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 \$642,469. The covered payroll (annual payroll of active employees covered by the plan) was \$1,601,424, and the ratio of the UAAL to the covered payroll was 40.12 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, 2016 were \$97,443, which consisted of \$71,237 from the County and \$26,206 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, 2016, 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, 2016 were \$359,545, which consisted of \$156,870 from the County and \$202,675 from the employees. The County's contributions and the employees' voluntary contributions represented 1.81 percent and 2.34 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, 2016, 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, 2016 was \$27,711.

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.

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 \$2,494 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$65,914 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was .003%, which was a decrease of .0001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$(2,538). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	323	1,091
Net difference between projected and actual earnings on pension plan investments	3,269	-
Changes in proportion and differences between county contributions and proportionate share of contributions	-	1,450
County contributions subsequent to the measurement date	<u>2,494</u>	<u>-</u>
Total	<u>6,086</u>	<u>2,541</u>

\$9,194 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, 2017. Other amounts reported as deferred inflows of resources related to pension expense as follows:

Year ended June 30:

2017	(543)
2018	38
2019	673
2020	882
2021	-
Thereafter	<u>-</u>
	<u>1,050</u>

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 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 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, 2014 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 2.2%.

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 (5.75%)	1% Increase <u>(6.75%)</u>
County's proportionate share of the net pension liability (asset)	(59,469)	(65,914)	(71,460)

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.

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 and the employee is actively employed with the County immediately prior to retirement, or disability, will continue to be covered on the County's Group Health Plan and the County's Group Life Insurance Plan.

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 Health Plan. Dependents must be covered at the time of retirement in order to be eligible for continued coverage. Dependent coverage will end when (a) the dependent becomes eligible for another Group Health Plan or Medicare (at age 65); or (b) during open enrollment if the retiree chooses not to continue coverage for dependents; or (c) at the last date for which dependent premium is paid if coverage is terminated for non-payment of premium. Once the dependent coverage is terminated, the dependent remains ineligible for coverage under the County Group Health Plan then and in the future.

When a qualifying retiree reaches age 65, their coverage will be changed from the County's group coverage to a Medicare Supplemental Plan. The funding levels for Post-65 Medicare Supplemental coverage will remain consistent with the funding levels of active employees on the County's Group Health Plan. In the event the qualifying retiree has elected dependent coverage and the retiree reaches age 65 and their coverage is changed from the Group Health Plan to a Medicare Supplemental Plan or the retiree dies, the dependent will be offered continued coverage through the provisions of the COBRA Act as amended.

For Retirees Hired on or after July 1, 2004

Same as above, however, all County provided health coverage will cease when the retiree becomes eligible for Medicare at age 65.

For Retirees Hired on or after January 1, 2012

In order for regular full-time County employees and regular part-time employees who work at least thirty-two (32) hours per week to receive any health insurance benefits from the Scotland County Group Health Plan, he or she must qualify for "full", "reduced", or "disability" benefits through the NC Local Government Employees' Retirement System (NCLGERS). The County coverage will be the same as offered to active employees, which is subject to change each fiscal year as approved by the Board of County Commissioners. The County portion of the premium for retirees will be based on its contribution to the premium of regular active employees. Contributions levels for total service will be as follows: (a) at least age 60 (55 for law enforcement officers) with 25 or more consecutive years of service prior to retirement, or disability retirement at any age with 25 or more consecutive years of service prior to

retirement, the County will pay 100% of County portion; (b) at least age 60 (55 for law enforcement officers) with 20 consecutive years of service prior to retirement, the County will pay 75% of County portion; (c) at least age 60 (55 for law enforcement officers) with 15 consecutive years of service prior to retirement, the County will pay 50% of County portion; or (d) less than age 60 and less than 15 years of consecutive service prior to retirement, not qualified for benefits.

Coverage by the County will be at the existing level at the time of retirement. The retiree will have the option of continuing, at their own expense, any additional coverage for self and/or dependent(s) available with the County Group Health Plan. Dependents must be covered at the time of retirement in order to be eligible for continued coverage. Dependent coverage will end: (a) when the coverage for the retiree ends; (b) when the dependent becomes eligible for another Group Health Plan or Medicare (at any age); (c) during open enrollment the retiree chooses not to continue coverage for the dependent(s); or (d) at the last date for which dependent premium is paid if coverage is terminated for non-payment of premium. Once dependent coverage is terminated, the dependent remains ineligible for coverage under the County Group Health Plan then and in the future.

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.

Membership of the HCB Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation:

Active Members	
Law enforcement officers	36
General employees	250
Emergency medical	14
Retired members	<u>122</u>
Total	<u>422</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 \$524.79 for EE/Spouse coverage, \$307.75 for EE/Child(ren) coverage, and \$893.75 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 13.72% of annual covered payroll. For the current year, the County contributed \$705,891 or 6.70% 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 .57% and 6.13% of covered payroll, respectively. The County's contributions totaled \$705,891 in fiscal year 2016. There were no contributions made by employees, except for dependent coverage in the amount of \$191,599. 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	1,446,406
Interest on net OPEB obligation	251,503
Adjustment to annual required contribution	<u>240,263</u>
Annual OPEB cost (expense)	1,457,646
Contributions made	<u>705,891</u>
Increase in net OPEB obligation	751,755
Net OPEB obligation, beginning of year	<u>6,287,565</u>
Net OPEB obligation, end of year	<u>7,039,320</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, 2016 were as follows:

3 Year Trend Information

For Year End June 30,	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
2014	1,570,409	40.10%	5,565,424
2015	1,431,779	49.60%	6,287,565
2016	1,457,646	48.40%	7,039,320

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 \$22,179,858. The covered payroll (annual payroll of active employees covered by the plan) was \$10,545,268, and the ratio of the UAAL to the covered payroll was 210 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, 2015 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 7.75% 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, 2015 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, 2016, the County made contributions to the State for death benefits in the amount of -0-. The County's required contributions for employees not engaged in law enforcement represented 0.110%. The County's required contributions for law enforcement officers is 0.140% for death benefits and (0.140%) for court costs.

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 \$1,845,797 reported as landfill closure and postclosure care liability at June 30, 2016 represents a cumulative amount reported to-date based on the use of 10% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,642,386 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 2016. 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.

Change in Accounting Estimate - Landfill

During the year it was determined that closure and postclosure costs have increased and accruals will change as a result of new engineering studies. The following factors resulted in a change in accounting estimate:

The original remaining estimate of closure and postclosure cost increased by \$500,000. In addition, the estimated cumulative usage capacity changed from 60% to 10%. These changes in estimates result in extra charges to the statement of revenues and expenses of approximately \$14,947 per year for the remaining life of the landfill.

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience	323	185,481
Pensions - difference between projected and actual investment earnings	3,269	223,330
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	75,940	25,054
Contributions to pension plan subsequent to measurement date	758,807	-
Prepaid taxes not yet earned (General)	-	56,772
Taxes receivable, net, less penalties (General)	-	2,955,790
Total	<u>838,340</u>	<u>3,446,427</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 Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000.

Scotland County Economic Development Corporation 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 Corporation 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 Corporation 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 Corporation's employees that have access to \$100 or more at any given time of the Corporation'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, 2016 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)	1,499,000
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\$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>2,095,000</u>
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Total	3,594,000
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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	1,500,000
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\$1,161,713 Guaranteed Energy Savings Contract first payment due November 7, 2014 in annual installments through November 7, 2030. Interest is 3.75% but reimbursed with tax credits	<u>1,090,715</u>
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Total	2,590,715
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TOTAL -- GENERAL FUND	<u>6,184,715</u>
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Serviced by the County's Water District No. 1 and 2:

Water District Bonds outstanding at June 30, 2016 in the amount of \$5,978,500 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>
2017	141,000	263,949
2018	146,500	257,650
2019	154,000	251,102
2020	161,000	244,219
2021	168,000	237,024
2022-2026	958,000	1,065,664
2027-2031	1,186,000	831,171
2032-2036	1,385,500	547,940
2037-2041	1,214,500	248,656
2042-2043	464,000	29,580
TOTAL	<u>\$ 5,978,500</u>	<u>\$3,976,955</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>
2017	981,000	122,398
2018	967,000	90,549
2019	953,000	57,957
2020	693,000	25,099
Total	<u>\$ 3,594,000</u>	<u>\$ 296,002</u>

At June 30, 2016, Scotland County had a legal debt margin of \$167,222,078.

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, 2016, including \$243,900 of interest are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
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>\$ 1,500,000</u>	<u>\$ 243,900</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
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>\$ 1,090,715</u>	<u>\$ 381,642</u>

Debt related to capital activities - of the total governmental activities debt listed, only \$1,090,715 relates to assets the County holds title to.

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, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 4,589,000	\$ -	\$ 995,000	\$ 3,594,000	\$ 981,000
Installment financing	2,927,893	-	337,178	2,590,715	340,717
Net pension obligation-LEO	113,103	43,839	-	156,942	-
Compensated absences	890,249	798,508	772,048	916,709	-
Net pension liability (LGERS)	-	753,069	-	753,069	-
Other postemployment benefits	6,084,491	720,118	-	6,804,609	-
Total governmental activities	\$14,604,736	\$ 2,315,534	\$ 2,104,226	\$14,816,044	\$ 1,321,717
Business-type activities:					
Water and sewer districts					
General obligation debt	\$ 6,113,000	\$ 1	\$ 134,500	\$ 5,978,501	\$ 141,000
Compensated absences	3,987	2,706	2,039	4,654	-
Net pension liability (LGERS)	-	7,844	-	7,844	-
Total water and sewer activities	6,116,987	10,551	136,539	5,990,999	141,000
Landfill					
Accrued landfill closure and postclosure care costs	1,782,628	63,169	-	1,845,797	-
Installment financing	67,885	-	67,885	-	-
Compensated absences	29,866	27,786	22,116	35,536	-
Net pension liability (LGERS)	-	23,533	-	23,533	-
Other postemployment benefits	203,074	31,636	-	234,710	-
Total landfill activities	2,083,453	146,124	90,001	2,139,576	-
Total business-type activities	\$ 8,200,440	\$ 156,675	\$ 226,540	\$ 8,130,575	\$ 141,000

Compensated absences for governmental activities typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2016, consist of the following:

From the General Fund to the:

Revaluation Fund to finance various revaluation expenditures	\$ 75,000
911 Capital project fund to close out fund	<u>329,120</u>
	<u>404,120</u>

Due To and From Interfunds and Other Governments

General Fund:

Due from Solid Waste for cash used in operations Exhibit 3 121,124

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$10,281,145	\$ 8,347,775
Less: long term debt	<u>1,090,716</u>	<u>5,978,501</u>
Net investment in capital assets	<u>\$ 9,190,429</u>	<u>\$ 2,369,274</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	\$11,909,786
Less:	
Nonspendable	27,100
Stabilization by State Statute	2,332,033
Remaining Fund Balance	9,550,653

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 15% 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 \$25,737 to the Council during the fiscal year ended June 30, 2016.

Related 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, 2016, Scotland County approved and paid the sum of \$281,407 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.

	<u>Federal</u>	<u>State</u>
Medicaid	\$47,353,337	\$26,124,488
NC health choice	445,315	23,125
Food stamp program	16,765,262	-
WIC	1,041,041	-
Title IV-E, foster care	105,620	21,718
Adult assistance	-	343,039
Adoption assistance	171,050	43,714
Work first	243,604	476,597
	<u>\$66,125,229</u>	<u>\$27,032,681</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 December 20, 2016, the date which the financial statements were available to be issued.

The County is in the preliminary stages of considering the issuance of bonds for the construction of a new elementary school and three additional wings to existing schools. The County has hired an independent financial advisor to review County and Scotland County School Systems ability to fund this debt. Per the results of this study, the County should be able to sustain the new debt if the existing conditions of the County remain relatively constant.

Along with the consideration of bond debt is a project that involves the County and the local community college. The County is considering renovating a vacant building that will be shared with the community college. The costs of these renovations are to be included in the school bond debt if a final decision is made to move forward with the school construction project. This bond debt is expected to approximate \$38,000,000.

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 Liability (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)
12-31-10	-	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%
12-31-15	-	642,469	642,469	0.00%	1,601,424	40.12%

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%
2016	101,548	52.61%

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	12/31/2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	3.57%
Projected salary increases*	3.50% - 7.35%
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)
12/31/13	-	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%
12/31/15	-	22,179,858	22,179,858	0%	10,545,268	210.30%

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>
2014	1,562,142	40.10%
2015	1,421,830	49.60%
2016	1,446,406	48.80%

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	12/31/2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical Trend Assumptions	
Pre-Medicare Trend Rate	7.75% to 5.00%
Post-Medicare Trend Rate	5.75% to 5.00%
Year of Ultimate Trend Rate	2022
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 Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	.175%	0.165%	.167%
County's proportionate share of the net pension liability (asset) \$	784,446	(971,567)	(984,463)
County's covered-employee payroll	10,335,658	10,372,702	9,916,166
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.59%	-9.36%	-9.93%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	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 Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	756,313	740,748	703,825
Contributions in relation to the contractually required contribution	<u>756,313</u>	<u>740,748</u>	<u>703,825</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	10,975,089	10,411,622	9,916,166
Contributions as a percentage of covered-employee payroll	6.89%	7.11%	7.10%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	.284%	.283%	.283%
County's proportionate share of the net pension liability (asset) \$	(65,914)	(64,090)	(57,219)
County's covered-employee payroll	56,824	50,177	48,897
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-116%	-127.73%	-117.02%
Plan fiduciary net position as a percentage of the total pension liability	197.29%	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 Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	2,494	2,071	2,316
Contributions in relation to the contractually required contribution	<u>2,494</u>	<u>2,071</u>	<u>2,316</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	56,824	50,177	48,897
Contributions as a percentage of covered-employee payroll	4.39%	4.13%	4.74%

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		\$ 21,960,715	
Interest		282,042	
Total	\$ 22,262,644	22,242,757	\$ (19,887)
Local option sales taxes:			
Article 39 one percent		2,474,456	
Article 40 one-half of one percent		1,908,831	
Article 42 one-half of one percent		1,392,349	
Article 44 one-half of one percent		-	
Total	5,702,243	5,775,637	73,394
Other taxes and licenses:			
Franchise tax	90,000	58,017	(31,983)
Unrestricted intergovernmental:			
Beer and wine tax		81,165	
ABC profit distribution		112,827	
Total	174,165	193,992	19,827
Restricted intergovernmental:			
State and federal grants		8,984,777	
Lottery proceeds		403,644	
Court facility fees		49,925	
Total	9,838,455	9,438,346	(400,109)
Permits and fees:			
Election fees		17,302	
Inspection fees		223,118	
Register of deeds		205,335	
Total	444,445	445,755	1,310

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues - continued:			
Sales and services:			
Jail and other fees		149,947	
Ambulance fees		1,436,594	
Recreation fees		129,977	
Emergency communications revenue		250,000	
Rental revenue		5,045	
Health department fees		46,277	
Total	2,075,356	2,017,840	(57,516)
Investment earnings	39,250	42,639	3,389
Fines, forfeitures	378,918	181,279	(197,639)
Miscellaneous:			
Private donations		5,454	
Sheriff dept. - surveillance - shared revenue		9,930	
Other		251,913	
Total	342,396	267,298	(75,098)
 Total revenues	 41,347,872	 40,663,559	 (684,313)

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		56,087	
Other operating expenditures		9,537	
Total	70,080	65,625	4,455
Administration:			
Salaries and employee benefits		631,595	
Other operating expenditures		19,372	
Reimbursements-proprietary funds		(69,000)	
Total	586,057	581,968	4,089
Elections:			
Salaries and employee benefits		164,517	
Other operating expenditures		69,663	
Total	247,134	234,180	12,954
Tax:			
Salaries and employee benefits		618,503	
Other operating expenditures		166,356	
Total	827,390	784,859	42,531
Legal:			
Contracted services		56,506	
Total	51,125	56,506	(5,381)
Register of deeds:			
Salaries and employee benefits		195,464	
Other operating expenditures		40,853	
Capital outlay		7,895	
Total	268,852	244,212	24,640

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		7,861	
Total	7,862	7,861	1
Information technology:			
Salaries and employee benefits		139,609	
Other operating expenditures		62,135	
Total	305,444	201,744	103,700
Total general government	2,363,944	2,176,953	186,991
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,360,250	
Other operating expenditures		340,741	
Capital outlay		138,929	
Total	2,942,383	2,839,920	102,463
Jail:			
Salaries and employee benefits		1,054,617	
Other operating expenditures		694,743	
Total	1,829,002	1,749,360	79,642
Emergency ambulatory & services:			
Salaries and employee benefits		1,339,330	
Other operating expenditures		331,825	
Capital outlay		172,090	
Total	2,299,381	1,843,246	456,135

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Emergency communications:			
Salaries and employee benefits		804,360	
Other operating expenditures		125,494	
Capital outlay		31,048	
Total	1,062,945	960,902	102,043
Forestry service	99,896	78,497	21,399
Inspections:			
Salaries and employee benefits		269,282	
Other operating expenditures		19,341	
Total	395,558	288,623	106,935
Planning & zoning:			
Salaries and employee benefits		673	
Other operating expenditures		2,294	
Total	6,181	2,967	3,214
Scotland County Rescue Squad	31,275	28,820	2,455
Medical examiner	45,000	48,950	(3,950)
Animal control:			
Salaries and employee benefits		94,180	
Other operating expenditures		17,827	
Capital outlay		69,985	
Total	189,624	181,991	7,633
Humane society	120,000	118,987	1,013
Surveillance and drugs:			
Other operating expenditures		26,959	
Total	30,454	26,959	3,495
Total public safety	9,051,699	8,169,222	882,477

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures		584,524	
Capital outlay		<u>42,542</u>	
Total	635,856	627,066	8,790
Public buildings:			
Salaries and employee benefits		667,329	
Other operating expenditures		520,656	
Capital outlay		<u>114,061</u>	
Total	1,521,027	1,302,046	218,981
Total central service	2,156,883	1,929,112	227,771
Economic and physical development:			
Industry grants		1,383,447	
Region N-council of government		25,737	
SEDC		<u>3,254</u>	
Total	1,620,646	1,412,438	208,208
Co-op extension:			
Salaries and employee benefits		3,811	
Other operating expenditures		<u>129,961</u>	
Total	157,808	133,773	24,035
Soil and water conservation:			
Salaries and employee benefits		66,518	
Other operating expenditures		<u>1,816</u>	
Total	79,110	68,333	10,777
Total economic & physical development	1,857,564	1,614,544	243,020

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		110,758	
Historic Properties		18,000	
Scotland Home Health, Inc.		41,574	
Total other expenditures	170,332	170,332	-
Human services:			
Health:			
Administration:			
Salaries and employee benefits		542,961	
Other operating expenditures		197,817	
Capital outlay		29,277	
Total	781,086	770,055	11,031
Tuberculosis:			
Salaries and employee benefits		12,910	
Other operating expenditures		5,938	
Total	19,578	18,848	730
Child health		96,819	
Primary care		96,830	
Communicable diseases		214,397	
Total	429,215	408,046	21,169
Family planning:			
Salaries and employee benefits		293,862	
Other operating expenditures		75,389	
Total	374,936	369,251	5,685

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		79,749	
Other operating expenditures		<u>93,278</u>	
Total	177,680	173,027	4,653
Women, infants, and children:			
Salaries and employee benefits		229,926	
Other operating expenditures		<u>41,007</u>	
Total	276,079	270,932	5,147
Environmental health:			
Salaries and employee benefits		114,081	
Other operating expenditures		<u>19,403</u>	
Total	139,148	133,484	5,665
Child services coordinator:			
Salaries and employee benefits		90,345	
Other operating expenditures		<u>3,193</u>	
Total	99,479	93,538	5,941
MCC	156,905	144,791	12,114
Immunization:			
Salaries and employee benefits		16,700	
Other operating expenditures		<u>13,846</u>	
Total	39,455	30,546	8,909
Adult health:			
Salaries and employee benefits		54,345	
Other operating expenditures		<u>6,282</u>	
Total	64,808	60,626	4,182

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		4,113	
Other operating expenditures		32,716	
Total	45,829	36,829	9,000
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		6,377	
Total	79,420	79,297	123
Total health	2,683,618	2,589,270	94,348
Social services:			
Administration:			
Salaries and employee benefits		4,498,118	
Other operating expenditures		3,765,283	
Total	8,582,720	8,263,401	319,319
Transportation:			
Salaries and employee benefits		265,286	
Other operating expenditures		70,605	
Total	522,458	335,890	186,568
Total social services	9,105,178	8,599,291	505,887

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, 2016

	2016		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		50,023	
Other operating expenditures		1,812	
Total	53,595	51,835	1,760
Total human services	11,842,391	11,240,397	601,994
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		421,054	
Other operating expenditures		223,172	
Total	767,564	644,226	123,338
Libraries:			
Salaries and employee benefits		273,487	
Other operating expenditures		162,462	
Capital outlay		11,426	
Total	469,942	447,375	22,567
Total cultural and recreational	1,237,506	1,091,602	145,904

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, 2016

	2016		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Education:			
Public schools - current expense		10,901,612	
Public schools - lottery-capital outlay		101,574	
Fines and forfeitures		181,279	
Contributions of capital		534,755	
Community colleges - current		281,407	
Total education	12,116,774	12,000,627	116,147
Debt service:			
Principal retirement		1,332,177	
Interest and fees, other		202,273	
Total debt service	1,608,629	1,534,450	74,179
Total expenditures	42,405,722	39,927,238	2,478,484
Revenues over (under) expenditures	(1,057,850)	736,322	1,794,172

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, 2016

	2016		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers to other funds:			
Special revenue funds revaluation	(404,121)	(75,000)	329,121
Capital project 911 building	-	(329,120)	(329,120)
Total net transfers	(404,121)	404,120	1
 Total other financing sources (uses)	 (404,121)	 (404,120)	 1
 Appropriated fund balance	 1,461,971	 -	 (1,461,971)
 Net change in fund balance	 \$ -	 332,202	 \$ 332,202
 Fund balances:			
Beginning of year, July 1		11,577,584	
End of year, June 30		\$ 11,909,786	

Scotland County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds					Capital Project Funds			
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	North Carolina Housing Finance Agency	CDBG	Total Nonmajor Special Revenue Funds	911 Building Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ 288,034	\$ -	\$ -	\$ -	\$ 288,034	\$ -	\$ -	\$ 288,034
Restricted cash	1,387,795	-	210,686	-	-	1,598,481	-	-	1,598,481
Taxes receivable	58,872	-	-	-	-	58,872	-	-	58,872
Prepaid expense	-	-	4,491	-	-	4,491	-	-	4,491
Due from other governments/grantors	56,027	-	29,717	-	-	85,744	-	-	85,744
Total assets	\$1,502,694	\$ 288,034	\$ 244,894	\$ -	\$ -	\$2,035,622	\$ -	\$ -	\$ 2,035,622
LIABILITIES AND FUND BALANCES									
Liabilities:									
None	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES									
Taxes receivable	58,872	-	-	-	-	58,872	-	-	58,872
Total deferred inflows of resources	58,872	-	-	-	-	58,872	-	-	58,872
Fund balances:									
Nonexpendable:									
Prepaid expenses	-	-	4,491	-	-	4,491	-	-	4,491
Restricted for:									
Stabilization by state statute	56,027	-	29,716	-	-	85,743	-	-	85,743
Fire protection	1,387,795	-	-	-	-	1,387,795	-	-	1,387,795
Emergency telephone	-	-	210,687	-	-	210,687	-	-	210,687
Committed:									
Revaluation	-	288,034	-	-	-	288,034	-	-	288,034
Total fund balances	1,443,822	288,034	244,894	-	-	1,976,750	-	-	1,976,750
Total liabilities, deferred inflows of resources and fund balances	\$1,502,694	\$ 288,034	\$ 244,894	\$ -	\$ -	\$2,035,622	\$ -	\$ -	\$ 2,035,622

Scotland County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds					Capital Project Funds			
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	North Carolina Housing Finance Agency	CDBG	Total Nonmajor Special Revenue Funds	911 Building Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:									
Ad valorem taxes	\$ 588,689	\$ -	\$ -	\$ -	\$ -	\$ 588,689	\$ -	\$ -	\$ 588,689
Other taxes, licenses & fees	640	-	335,493	-	-	336,133	-	-	336,133
Sales tax	280,381	-	-	-	-	280,381	-	-	280,381
Investment earnings	6,088	-	-	-	-	6,088	-	-	6,088
Total revenues	875,798	-	335,493	-	-	1,211,291	-	-	1,211,291
Expenditures:									
Public safety	287,559	-	274,441	-	-	562,000	-	-	562,000
Other	-	-	-	4,130	6,037	10,167	-	-	10,167
Capital outlay	553,528	-	20,765	-	-	574,293	-	-	574,293
Total expenditures	841,087	-	295,206	4,130	6,037	1,146,460	-	-	1,146,460
Revenues over (under) expenditures	34,711	-	40,287	(4,130)	(6,037)	64,831	-	-	64,831
Other financing sources:									
Transfers from other funds	-	75,000	-	-	-	75,000	329,119	329,119	404,120
Total other financing sources	-	75,000	-	-	-	75,000	329,119	329,119	404,120
Net change in fund balances	34,711	75,000	40,287	(4,130)	(6,037)	139,831	329,119	329,119	468,950
Fund balances - beginning	1,409,111	213,034	204,607	4,130	6,037	1,836,919	(329,119)	(329,119)	1,507,800
Fund balances - ending	\$1,443,822	\$ 288,034	\$ 244,894	\$ -	\$ -	\$ 1,976,750	\$ -	\$ -	\$ 1,976,750

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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes	\$ 625,509	\$ 588,689	\$ (36,820)
Other taxes, licenses & fees	620	640	20
Sales tax	268,000	280,381	12,381
Investment earnings	<u>5,891</u>	<u>6,088</u>	<u>197</u>
Total revenues	900,020	875,798	(24,222)
Expenditures:			
Public safety	335,000	287,559	47,441
Capital outlay	<u>615,000</u>	<u>553,528</u>	<u>61,472</u>
Total expenditures	<u>950,000</u>	<u>841,087</u>	<u>108,913</u>
Revenues over (under) expenditures	(49,980)	34,711	84,691
Appropriated fund balance	<u>49,980</u>	-	<u>(49,980)</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	34,711	<u>\$ 34,711</u>
Fund balances - beginning		<u>1,409,111</u>	
Fund balances - ending		<u>\$1,443,822</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, 2016

	<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>213,034</u>	
Fund balances - ending		<u>\$ 288,034</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes, licenses & fees	\$ 335,493	\$ 335,493	\$ -
Total revenues	<u>335,493</u>	<u>335,493</u>	<u>-</u>
Expenditures:			
Public safety	<u>335,493</u>	295,206	40,287
Total expenditures	<u>335,493</u>	<u>295,206</u>	<u>40,287</u>
Revenues over expenditures	<u>\$ -</u>	40,287	<u>\$ 40,287</u>
Fund balances - beginning		<u>204,607</u>	
Fund balances - ending		<u>\$ 244,894</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other grants	\$ 4,130	\$ -	\$ (4,130)
Total revenues	<u>4,130</u>	<u>-</u>	<u>(4,130)</u>
Expenditures:			
Administration	<u>4,130</u>	<u>4,130</u>	<u>-</u>
Total expenditures	<u>4,130</u>	<u>4,130</u>	<u>-</u>
Revenues (under) expenditures	<u>\$ -</u>	(4,130)	<u>\$ (4,130)</u>
Fund balances - beginning		<u>4,130</u>	
Fund balances - ending		<u>\$ -</u>	

Scotland County, North Carolina
CDBG
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2016

	<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	\$ 400,000	\$ -	\$ 400,000	\$ -
Total revenues	400,000	400,000	-	400,000	-
Expenditures:					
Rehabilitation/construction	400,000	393,963	6,037	400,000	-
Total expenditures	400,000	393,963	6,037	400,000	-
Revenues over expenditures	<u>\$ -</u>	<u>\$ 6,037</u>	\$ (6,037)	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning			<u>6,037</u>		
Fund balances - ending			<u>\$ -</u>		

Scotland County, North Carolina
911 Center Capital Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2016

	Project Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
Grant funds	\$2,750,000	\$2,750,000	\$ -	\$2,750,000	\$ -
Total revenues	<u>2,750,000</u>	<u>2,750,000</u>	<u>-</u>	<u>2,750,000</u>	<u>-</u>
Expenditures:					
Construction	3,350,000	2,222,511	-	2,222,511	1,127,489
Architect/engineering	<u>300,000</u>	<u>1,005,198</u>	<u>-</u>	<u>1,005,198</u>	<u>(705,198)</u>
Total expenditures	<u>3,650,000</u>	<u>3,227,709</u>	<u>-</u>	<u>3,227,709</u>	<u>422,291</u>
Revenues (under) expenditures	<u>(900,000)</u>	<u>(477,709)</u>	<u>-</u>	<u>(477,709)</u>	<u>422,291</u>
Other financing sources:					
Transfer from 911 fund	770,000	18,590	-	18,590	(751,410)
Transfer from General Fund	<u>130,000</u>	<u>130,000</u>	<u>329,120</u>	<u>459,120</u>	<u>329,120</u>
Total other financing sources	900,000	148,590	329,120	477,710	(422,290)
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (329,120)</u>	329,120	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning			<u>(329,120)</u>		
Fund balances - ending			<u>\$ -</u>		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		\$ 1,248,697	
Availability fees		897,918	
Other operating revenues		120,361	
Total operating revenues	\$ 2,325,994	2,266,976	\$ (59,018)
Expenditures:			
Operating expenses:			
Salaries & employee benefits		480,518	
Supplies		15,695	
Repairs & maintenance		139,794	
Contracted services		195,268	
Waste disposal		648,512	
Other operating expenditures		78,216	
Total operating expenses	2,090,670	1,558,003	532,667
Debt service:			
Interest		1,439	
Debt principal		67,885	
Total	69,323	69,324	(1)
Capital outlays:			
Equipment - Vehicle	180,000	178,287	1,713
Total expenditures	2,339,993	1,805,614	534,379
Revenues over (under) expenditures	(13,999)	461,361	475,360
Fund balance appropriated	13,999	-	(13,999)
Revenues over expenditures	\$ -	461,361	\$ 461,361
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Debt principal		67,885	
Capital outlays		178,287	
Depreciation		(86,350)	
Decrease in net pension asset		(19,690)	
Increase in deferred outflows of resources-pensions		(2,082)	
Increase in net pension liability		(23,533)	
Decrease in deferred inflows of resources-pensions		35,678	
(Increase) in accrued vacation		(5,670)	
(Increase) in accrued landfill closure and postclosure costs		(63,169)	
Bad debts		6,190	
(Increase) in accrued OPEB liability		(31,636)	
Total reconciling items		55,910	
Net income		\$ 517,271	

Scotland County, North Carolina
Water District I Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		697,020	
Total operating revenues	685,000	697,020	12,020
Expenditures:			
Operating expenses:			
Salaries and employee benefits		31,255	
Water purchases		286,779	
Other operating expenditures		154,251	
Total operating expenses	574,086	472,284	101,802
Debt service:			
Principal retirement		46,500	
Interest		79,194	
Total	125,695	125,694	1
Total expenditures	699,781	597,978	101,803
Revenues over (under) expenditures	(14,781)	99,042	113,823
Fund balance appropriated	14,781	-	(14,781)
Revenues over expenditures	\$ -	99,042	\$ 99,042
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Principal payment		46,500	
Depreciation		(114,095)	
(Decrease) in net pension asset		(9,845)	
(Increase) in deferred outflows of resources-pensions		(6,368)	
(Increase) in net pension liability		(7,844)	
(Decrease) in deferred inflows of resources-pensions		19,995	
Bad debts		586	
(Increase) in accrued vacation		(667)	
Total reconciling items		(71,738)	
Net income		\$ 27,303	

Scotland County, North Carolina
Water District II Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2016

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 457,172	
Sewer fees		142,305	
Total operating revenues	\$ 586,316	599,477	\$ 13,161
Expenditures:			
Operating expenses:			
Water purchases		163,493	
Water operations		88,547	
Total operating expenses	334,373	252,040	82,333
Debt service:			
Debt principal		88,000	
Interest		190,761	
Total	278,762	278,761	1
Total expenditures	613,135	530,801	82,334
Revenues over (under) expenditures	(26,819)	68,676	95,495
Fund balance appropriated	26,819	-	\$ (26,819)
Revenues over expenditures	<u>\$ -</u>	68,676	<u>\$ 68,676</u>
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Principal payments		88,000	
Depreciation		(183,736)	
Bad debts		879	
Total reconciling items		(94,857)	
Net (loss)		<u>\$ (26,181)</u>	

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Social Services				
Assets:				
Cash & cash equivalents	16,327	139,841	141,288	14,880
Liabilities:				
Miscellaneous liabilities	16,327	139,841	141,288	14,880
Fines and Forfeitures				
Assets:				
Cash	4,363	463,276	465,768	1,871
Liabilities:				
Intergovernmental payable	-	181,279	181,279	-
Other tax	4,363	281,997	284,489	1,871
Total liabilities	4,363	463,276	465,768	1,871
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	38,747	626,159	628,967	35,939
Liabilities:				
Miscellaneous liabilities	38,747	626,159	628,967	35,939
Inmate Trust Fund				
Assets:				
Cash	29,577	164,462	186,342	7,698
Liabilities:				
Inmate funds	29,577	164,462	186,342	7,698
Tourism Development Fund				
Assets:				
Cash	163,786	362,468	328,899	197,355
Liabilities:				
Miscellaneous liabilities	163,786	362,468	328,899	197,355
Parks and Recreation				
Assets:				
Cash	255	1,265	1,445	75
Liabilities:				
Miscellaneous liabilities	255	1,265	1,445	75

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Concealed Weapons Fees				
Assets:				
Cash	<u>1,055</u>	<u>23,085</u>	<u>22,245</u>	<u>1,895</u>
Liabilities:				
Miscellaneous liabilities	<u>1,055</u>	<u>23,085</u>	<u>22,245</u>	<u>1,895</u>
Register of Deeds				
Assets:				
Cash	<u>5,809</u>	<u>87,196</u>	<u>86,377</u>	<u>6,628</u>
Liabilities:				
Miscellaneous liabilities	<u>5,809</u>	<u>87,196</u>	<u>86,377</u>	<u>6,628</u>
Library				
Assets:				
Cash	<u>9,958</u>	<u>3,323</u>	<u>1,000</u>	<u>12,281</u>
Liabilities:				
Miscellaneous liabilities	<u>9,958</u>	<u>3,323</u>	<u>1,000</u>	<u>12,281</u>
Total-All Agency Funds				
Assets:				
Cash	<u>269,877</u>	<u>1,871,075</u>	<u>1,862,330</u>	<u>278,621</u>
Liabilities:				
Miscellaneous liabilities	269,877	1,689,796	1,681,051	278,621
Intergovernmental payable	-	181,279	181,279	-
Total liabilities	<u>269,877</u>	<u>1,871,075</u>	<u>1,862,330</u>	<u>278,621</u>

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2015</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 21,992,570	\$ 21,049,610	\$ 942,960
2014-2015	999,018	-	582,336	416,682
2013-2014	536,657	-	231,952	304,705
2012-2013	363,060	-	99,206	263,854
2011-2012	248,715	-	48,556	200,159
2010-2011	231,787	-	40,201	191,586
2009-2010	199,086	-	24,979	174,107
2008-2009	188,604	-	19,761	168,843
2007-2008	199,347	-	17,603	181,744
2006-2007	180,458	-	20,953	159,505
2005-2006	172,151	-	126,908	45,243
Total	\$ 3,318,883	\$ 21,992,570	\$ 22,262,065	\$ 3,049,389
				<u>152,470</u>
				\$ 2,896,919
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - net:				
General Fund				\$ 22,242,757
Reconciling items:				
Interest				\$ (299,877)
Discounts				97,737
Taxes released				<u>221,448</u>
Total reconciling items				<u>\$ 19,308</u>
Total collections and credits				<u><u>\$ 22,262,065</u></u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2016

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 2,145,803,980	\$ 1.03	\$ 22,101,781	\$ 19,717,426	\$ 2,384,355
Total	2,145,803,980		22,101,781	19,717,426	2,384,355
Abatements	<u>(10,603,009)</u>		<u>(109,211)</u>	<u>(91,899)</u>	<u>(17,312)</u>
Total property valuations	<u>\$ 2,135,200,971</u>				
Net levy			21,992,570	19,625,527	2,367,043
Uncollected taxes at June 30, 2016			<u>942,961</u>	<u>938,027</u>	<u>4,934</u>
Current year's taxes collected			<u>\$ 21,049,609</u>	<u>\$ 18,687,500</u>	<u>\$ 2,362,109</u>
Current year collection percentage			<u>95.71%</u>	<u>95.22%</u>	<u>99.79%</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2016

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 1,454,631,429
Personal property	571,870,446
Public service companies ²	<u>108,699,096</u>
Total assessed valuation	2,135,200,971
Tax rate per \$100	1.03
Levy (includes discoveries, releases and abatements) ³	\$ 21,992,570

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	601,860
Total	<u><u>\$ 601,860</u></u>

¹Percentage of appraised value has been established by statute.

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

³The levy includes interest and penalties.

Scotland County, North Carolina
 Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2016

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
FCC North Carolina, Inc.	Manufacturing	\$ 127,678,805	5.98%
Pilkington North America	Manufacturing	74,629,086	3.50%
Duke Energy	Utility	28,237,995	1.32%
Kordsa, Inc.	Manufacturing	23,884,427	1.12%
Piedmont Natural Gas	Utility	22,488,618	1.05%
Carroll's Realty	Farming	22,084,935	1.03%
Meritor Heavy Vehicle	Manufacturing	21,660,818	1.01%
Railroad Friction	Manufacturing	14,231,631	0.67%
Lumbee River EMC	Utility	12,494,954	0.59%
CSX Transportation	Railroad	11,758,693	0.55%
Total		<u>\$ 359,149,962</u>	<u>16.82%</u>

COMPLIANCE SECTION

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

Our report includes a reference to other auditors who audited the financial statements of the Scotland County ABC Board, 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 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 2016-001, 2016-002 and 2016-003.*

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

December 20, 2016

Parker, Wagoner & Roche, PLLC
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**Report On Compliance With Requirements Applicable to Each Major Federal Program and
Internal Control Over Compliance; In accordance with the OMB Uniform Guidance 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 Uniform Guidance 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, 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, 2016.

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 Uniform Guidance, 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 item 2016-004 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Parker, Wagoner + Roche, PLLC

PARKER, WAGONER & ROCHE, PLLC
Laurinburg, North Carolina

December 20, 2016

Parker, Wagoner & Roche, PLLC

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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance 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, 2016. 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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, 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, 2016.

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 the Uniform Guidance, 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 item 2015-004 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Parker, Wagoner + Roche, PLLC

PARKER, WAGONER & ROCHE, PLLC
Laurinburg, North Carolina

December 20, 2016

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section I. Summary of Auditor's Results

Financial Statements

Type of report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- * Material weakness(es) identified? yes no
- * Significant deficiencies identified
that are not considered to be
material weaknesses yes none reported
- Noncompliance material to financial
statements noted yes no

Federal Awards

Internal control over major federal programs:

- * Material weakness(es) identified? yes no
- * Significant deficiencies identified
that are not considered to be
material weaknesses 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 2CFR 200.516(a) yes no

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medical Assistance Program (Medicaid)

Dollar threshold used to distinguish
between Type A and Type B Programs \$1,652,342

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 ___ yes X no

Identification of major State programs:

<u>Program Name</u>
Medical Assistance Program (Medicaid)
NC Rural Infrastructure Grant

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Section II - Financial Statement Findings

Finding: 2016-001

SIGNIFICANT DEFICIENCY

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

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

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

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

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

Views of Responsible officials and planned corrective actions: The County agrees with this finding. Please refer to corrective action plan 2016-001.

Finding: 2016-002

SIGNIFICANT DEFICIENCY

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

Condition: The County expended \$9,331 more for operating expenditures than appropriated in the annual budget ordinance.

Effect: Budgetary violations occurred. Money was expended that had not been appropriated.

Cause: Oversight. The County expended funds in excess of the budget ordinance for legal fees and medical examiner fees, and a budget amendment was not adopted.

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

Views of Responsible officials and planned corrective actions: The County agrees with this finding. Please see corrective action plan 2016-002 .

Finding: 2016-003

SIGNIFICANT DEFICIENCY

Criteria: Appropriated fund balance should be equal to or less than the sum of cash and investments less the sum of liabilities, encumbrances and deferred revenues arising from cash receipts, as of the close of the fiscal year next preceding the budget year.

Condition: In the Solid Waste Fund, fund balance (net assets) was appropriated for fiscal year June 30, 2016 when there was none available to appropriate which is a violation of General Statute Reference 159-8 (a).

Effect: Budgetary violations occurred, net assets were appropriated when there was none available.

Cause: Oversight during budget process. Budget amendment was not adopted.

Recommendation: Better oversight is needed during the budget process to ensure excess appropriations are not budgeted.

Views of Responsible officials and planned corrective actions: The County agrees with this finding. Please refer to corrective action plan 2016-003.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

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: Medical Assistance Program (Medicaid)
CFDA# 93.778

Finding: 2016-004

Significant Deficiency
Eligibility/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 35 case files were of the type that required documentation that liquid assets be checked to verify if applicant has excess resources. Of those 35 case files, 4 of them did not contain evidence that liquid assets were checked.

Context: Four out of the 35 reviewed case files did not contain evidence that liquid asset procedures were completed.

Effect: Lack of liquid asset check procedures 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 procedures.

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

Views of responsible officials and planned corrective actions:

The County agrees with this finding.

In the above four cases an immediate liquid asset check was conducted and none of the individuals had disqualifying liquid assets.

Please see corrective action plan 2016-004.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

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: Medical Assistance Program (Medicaid)

CFDA# 93.778

Finding: 2016-004

Significant Deficiency

Eligibility and Internal Controls

See Section III Federal Award Findings and Questioned Costs finding 2016-004.

SCOTLAND COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2016

Section II - Financial Statement Findings

Finding: 2016-001

Name of contact person: Beth Hobbs - 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 to improve financial condition.

Proposed Completion Date: Immediately.

Finding: 2016-002

Name of contact person: Beth Hobbs - Finance Officer

Corrective Action: The County will monitor the budget more closely and make necessary budget amendments as needed.

Proposed Completion Date: Immediately.

Finding: 2016-003

Name of contact person: Beth Hobbs - Finance Officer

Corrective Action: Management will review the proposed budget before it is adopted to ensure appropriated fund balance (net assets) does not exceed available funds.

Proposed Completion Date: Immediately.

Section III - Federal Award Findings and Questioned Costs

Finding: 2016-004

Name of contact person: Carolyn Lewellen and April Snead

Corrective Action: Ongoing second party reviews will be conducted going forward. These will include detailed reviews of random files and inspection of required documents.

Review forms will include a field for ensuring asset checks were completed. HSE staff and supervisor will use the same review form for completing second party reviews. If a case is identified not to have an asset check, this will be reported to the supervisor and an asset check completed for the case file.

Proposed Completion Date: Immediately.

SCOTLAND COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2016

Section IV - State Award Findings and Questioned Costs

Finding: 2016-004 See Federal Award Findings and Questioned
Costs. Finding 2016-004.

SCOTLAND COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016

Prior Year Financial Statements Findings

Finding 2015-001

Status: See current year finding 2016-001.

Finding 2015-002

Status: There are still expenditures in excess of appropriations. See Finding 2016-002.

Finding 2015-003

Status: The real property checks appear to be corrected, however see Finding 2016-004.

Finding 2015-004

Status: Corrected

Finding 2015-005

Status: Corrected

Finding 2015-006

Status: Corrected

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5NC400406	429,935	4,468	-	429,935
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	280,303	-	-	-
Direct Benefit Payments:						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5NC700705	1,041,041	-	-	-
Total U.S. Department of Agriculture			<u>1,751,279</u>	<u>4,468</u>	<u>-</u>	<u>429,935</u>
<u>U.S. Dept. of Housing and Urban Development</u>						
Passed-through the N.C. Department of Commerce:						
Community Development Block Grant	14.239	11-C-2325	6,037	-	-	-
Total U.S. Dept. of Housing and Urban Development			<u>6,037</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>						
Passed-through the N.C. Department of Transportation:						
Formula Grants for Other than Urbanized Areas	20.509	2000000353	21,364	1,335	-	-
Formula Grants for Other than Urbanized Areas	20.509	2000000797	48,368	3,023	-	-
Formula Grants for Other than Urbanized Areas	20.509	2000000799	1,046	131	-	-
Total U.S. Dept. of Transportation			<u>70,778</u>	<u>4,489</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept of Health & Human Services</u>						
Temporary Assistance for Needy Families (TANF)	93.558	G1202NCTANF	6,960	-	-	-
Division of Social Services						
<u>Temporary Assistance for Needy Families Cluster</u>						
Temporary Assistance for Needy Families (TANF) / Admin	93.558	G1202NCTANF	96,317	-	-	212,032
Temporary Assistance for Needy Families (TANF) / Work First	93.558	G1202NCTANF	627,618	-	-	-
TANF / Work First - Direct Benefit Payments	93.558	G1202NCTANF	243,604	-	-	476,597
Total TANF Cluster			<u>974,500</u>	<u>-</u>	<u>-</u>	<u>688,629</u>
<u>Foster Care and Adoption Cluster</u>						
Foster Care - Title IV-E	93.658	1201NC1401	181,481	33,768	-	146,834
Adoption Assistance	93.659	1201NC1407	10,850	-	-	10,850
Foster Care - Title IV-E - Direct Benefit Payments	93.658	1201NC1401	98,448	22,600	-	27,827
Adoption Assistance - Direct Benefit Payments	93.659	1201NC1407	171,050	43,714	-	43,714
Total Foster Care and Adoption Cluster			<u>461,830</u>	<u>100,082</u>	<u>-</u>	<u>229,226</u>
IV-D Administration	93.563	1204NC4005	618,102	-	-	318,416
IV-D Offset Fees	93.563	1204NC4005	3,982	-	-	2,051
Family Preservation	93.566	15113A15151	3,777	-	-	-
Refugee and Entrant Assistance - State						
Administered Program	93.566	G12AANC4110	134	-	-	-
Total Refugee and Entrant Assistance			<u>134</u>	<u>-</u>	<u>-</u>	<u>-</u>
Low-Income Home Energy Assistance:						
Administration	93.568	G12BNCLIEA	43,430	-	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	G12BNCLIEA	251,600	-	-	-
Crisis Intervention Program	93.568	G12BNCLIEA	262,263	-	-	-
Total Low-Income Home Energy Assistance			<u>557,292</u>	<u>-</u>	<u>-</u>	<u>-</u>
Stephanie Tubbs Jones Child Welfare Services Program:						
- Permanency Planning - Families for Kids	93.645	G1201NC1400	6,128	-	-	2,043
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>6,128</u>	<u>-</u>	<u>-</u>	<u>2,043</u>
Independent Living Transitional Grant	93.674	G1201NC1420	80	-	-	-
LINKS - Transitional Funds	94.674	G1201NC1420	5,438	1,360	-	-
Division of Aging and Adult Services:						
Division of Social Services:						
Passed-through the Lumber River Council of Governments:						
SSBG - State In Home Service Fund	93.667	G1201NCSOSR	9,289	-	-	1,327
SSBG - State Adult Day Care	93.667	G1201NCSOSR	13,334	15,849	-	4,169
SSBG - Other Services & Training	93.667	G1201NCSOSR	185,783	10,924	-	65,569

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Division of Child Development and Early Education:						
Subsidized Child Care						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Development Mandatory and Match Fund- Administration	93.596	47013123.000	79,652	-	-	-
Division of Child Development:						
Child Care and Development Fund - Discretionary	93.575	13801810TB83 & 13801810TK83	545,528	-	-	-
Child Care and Development Fund - Mandatory	93.596	13801810MN83 & 13801810MP83	151,535	-	-	-
Child Care and Development Fund - Match	93.596	13801810VB83, 13801810VD83, & 13801810V183	377,822	170,315	-	-
Total Child Care Development Fund Cluster			1,154,537	170,315	-	-
TANF	93.558	13801810T283	129,750	-	-	-
Foster Care Title IV-E	93.658	13801817K483	7,080	3,636	-	-
State Appropriations		138018120083	-	223,780	-	-
TANF-MOE		13811740TM83 & 13801810T683	-	87,728	-	-
Total Subsidized Child Care			1,291,367	485,459	-	-
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	47,353,337	26,124,488	-	-
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	5-1205NC5MAP	1,060,469	39,339	-	356,405
Total Medical Assistance Program			48,413,806	26,163,827	-	356,405
Direct Benefit Payments:						
State Children's Insurance Program - N.C. Health Choice	93.767	1715376H1	445,315	23,125	-	-
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767	1715376H1	20,057	537	-	88
Total State Children's Insurance Program - N.C. Health Choice			465,372	23,661	-	88
Centers for Disease Control and Prevention						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Public Health Emergency Preparedness	93.069	5U90TP000538-02	29,800	-	-	-
Preparedness (PHEP) Aligned Cooperative Agreement	93.074	5U90TP000538-2	11,571	-	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	5U52PS416676	43	-	-	-
Immunization Grants	93.268	5H23IP422554	11,608	-	-	-
Preventive Health & Health Services Block Grant funded solely with Prevention & Public Health Funds	93.758	3B01DP009034-13W2	30,991	-	-	-
HIV Prevention Activities - Health Dept. Based	93.940	1U62PS003658-02	1,844	-	-	-
Preventive Health Services - STD Control Grants	93.977	1H25PS004349	241	-	-	-
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	111,625	35,929	-	-
Office of Population Affairs						
Passed-through NC Dept. of Health & Human Services:						
Office of Population Affairs						
Family Planning Services	93.217	FPH040648-02-00	42,052	-	-	-
Total U.S. Dept. of Health and Human Services			53,249,989	26,837,091	-	1,667,923
Total federal awards			55,078,083	26,846,048	-	2,097,858

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
State Awards:						
<u>N.C. Dept. of Cultural and Natural Resources</u>						
Division of State Library						
State Aid to Public Libraries		56-6000336-E	-	103,598	-	-
Total N.C. Dept. of Cultural and Natural Resources			-	103,598	-	-
<u>N.C. Dept. of Commerce</u>						
Rural Grants Program - Economic Infrastructure		2013-224-40401-107	-	550,000	550,000	-
Total N.C. Dept. of Commerce			-	550,000	550,000	-
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
White Goods Management Program		SWWG04112016009 & SWWG103020159	-	5,899	-	-
Scrap Tire Program						
Total N.C. Dept. of Environmental and Natural Resources		SWS813	-	5,581	-	-
			-	11,480	-	-
<u>N.C. Dept. of Health and Human Services</u>						
Division of Social Services						
State Child Welfare/CPS/CS LD		566000339	-	121,618	-	-
DCD Smart Start		566000339	-	12,156	-	-
Energy Assistance Private Grants		566000339	-	1,919	-	-
Foster Care		566000339	-	107	-	-
AFDC Incentive Program		566000339	-	1,472	-	-
CWS Adoption Subsidy		566000339	-	164,033	-	28,257
Foster Care At Risk Maximum		566000339	-	1,964	-	1,001
State & County Special Assistance for Adults		566000339	-	343,039	-	343,039
SFFH Maximum		566000339	-	23,577	-	23,577
State Foster Care		566000339	-	13,902	-	13,902
Total Division of Social Service			-	683,787	-	409,776
Division of Public Health						
Child Health		B04MC23398	-	977	-	-
Food and Lodging		87311534751	-	4,665	-	-
General Aid to Counties		11011614110	-	104,455	-	-
General Communicable Disease Control		51011754510	-	7,855	-	-
HIV/STD Aid		566000339	-	500	-	-
HMHC - Family Planning		566000339	-	12,607	-	-
Maternal Health (HMHC)		B04MC23398	-	10,079	-	-
Sexually Transmitted Diseases		566000339	-	1,140	-	-
Tuberculosis		55114604551	-	13,023	-	-
Tuberculosis Medical Service		55114604554	-	1,529	-	-
Women's Health Service Fund		15113A16012	-	4,236	-	-
Total Division of Public Health			-	161,066	-	-
Total N. C. Department of Health and Human Services			-	844,853	-	409,776
<u>N.C. Dept. of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		LEA 830	-	401,574	401,574	-
Total N.C. Dept. of Public Instruction			-	401,574	401,574	-
<u>Passed-through the N.C. Housing Finance Agency</u>						
Single Family Rehabilitation		SFRLP1125	-	4,130	-	-
<u>N.C. Dept. of Public Safety</u>						
JCPC Administration		583-11473	-	10,000	10,000	-
Scots for Youth		583-10939	-	110,758	110,758	-
Youth Empowered to Succeed (YES)		583-12295	-	31,574	31,574	-
Total N.C. Dept. of Public Safety			-	152,332	152,332	-
<u>N.C. Dept. of Transportation</u>						
Rural Operating Assistance Program (ROAP) Cluster						
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	57,525	-	-
- ROAP Rural General Public Program		DOT-16CL	-	62,188	-	-
- ROAP Work First Transitional - Employment		DOT-16CL	-	12,039	-	-
Total ROAP Cluster			-	131,752	-	-
Total State awards			-	2,199,719	1,103,906	409,776
Total federal and State awards			\$ 55,078,083	\$ 29,045,766	\$ 1,103,906	\$ 2,507,634

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 Scotland County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule 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 position 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Scotland County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: 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.

