

Statement of  
SCOTLAND COUNTY  
Laurinburg, North Carolina  
June 30, 2011



**SCOTLAND COUNTY, NORTH CAROLINA**

**BOARD OF COUNTY COMMISSIONERS**

J. D. Willis, Chairman

Betty B. Gholston, Vice Chairperson

John T. Alford, Commissioner

Guy McCook, Commissioner

Bob Davis, Commissioner

Joyce McDow, Commissioner

Clarence McPhatter, II, Commissioner

**COUNTY OFFICIALS**

Ann W. Kurtzman, Clerk to Board

Kevin G. Patterson, County Manager

**Scotland County, North Carolina**  
**Table of Contents**  
**June 30, 2011**

<u>Exhibit</u>		<u>Page</u>
	Financial Section	
	Independent Auditor's Report	1- 2
	Management's Discussion and Analysis	3-11
	Basic Financial Statements:	
	Government-wide Financial Statements:	
Exhibit 1	Statement of Net Assets	12
Exhibit 2	Statement of Activities	13-14
	Fund Financial Statements:	
Exhibit 3	Balance Sheet - Governmental Funds	15
Exhibit 3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16
Exhibit 5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Exhibit 6	Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	18
Exhibit 7	Statement of Fund Net Assets - Proprietary Funds	19
Exhibit 8	Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	20
Exhibit 9	Statement of Cash Flows - Proprietary Funds	21-22
Exhibit 10	Fiduciary Fund	23
	Notes to the Financial Statements	24-51

<u>Exhibit</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Law Enforcement Officers' Special Separation Allowance - Schedule of Funding Progress	52
A-2	Law Enforcement Officers' Special Separation Allowance - Schedule of Employer Contributions and Notes to the Required Financial Schedules	53
A-3	Other Postemployment Benefits - Schedule of Funding Progress	54
A-4	Other Postemployment Benefits - Schedule of Employer Contribution	55
	Combining and Individual Fund Statements and Schedules:	
B	General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	56-67
C-1	Combining Balance Sheet - Nonmajor Governmental Funds	68
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	69
C-3	Capital Reserve Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	70
C-4	Fire Service District Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	71
C-5	Revaluation Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	72
C-6	Emergency Telephone System Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	73
C-7	Community Development Block Grant Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	74
C-8	Community Development Block Grant NCFHA Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	75
C-9	Spec Building Capital Project Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	76
C-10	Youth Center Task Force Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	77

<u>Exhibit</u>		<u>Page</u>
C-11	Wagram Recreation Center Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	78
C-12	School Capital Projects Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	79
D-1	Public Works Fund Schedule of Revenues and Expenditures - Budget and Actual	80
D-2	Water District Phase I Fund Schedule of Revenues and Expenditures - Budget and Actual	81
D-3	Water District Phase II Fund Schedule of Revenues and Expenditures - Budget and Actual	82
	Other Schedules	
E	Agency Funds Combining Statement of Changes in Assets and Liabilities	83-84
F	Schedule of Ad Valorem Taxes Receivable	85
F-1	Analysis of Current Tax Levy - County-wide Levy	86
F-2	Secondary Market Disclosures	87
F-3	Ten Largest Taxpayers	88
	Compliance Section:	
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	89-90
	Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	91-92
	Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	93-94
	Schedule of Findings and Questioned Costs	95-101
	Schedule of Expenditures of Federal and State Awards	102-108

**FINANCIAL SECTION**

## **Gustaf C. Lundin & Company, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

FAX 910-276-1995

MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

CHARLES D. SMITH, CPA

GUSTAF C. LUNDIN 1895-1981  
LLOYD W. MCCOY 1913-1987  
THOMAS G. POE 1950-1991

### **Independent Auditor's Report**

To the Board of County Commissioners  
Scotland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Scotland County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Scotland County ABC Board, which represents 34.22 percent, 24.43 percent and 96.70 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial 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 the Scotland County ABC Board, is based solely on the reports 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 Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Scotland County ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2011 on our consideration of Scotland County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis, and the Law Enforcement Officers' Special Separation Allowance, Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Scotland County, North Carolina. The introductory information, combining and individual nonmajor fund financial statements and schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit report and the report of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Gustaf C. Lundin & Company, LLP*  
GUSTAF C. LUNDIN & COMPANY, LLP

November 10, 2011

## 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, 2011. 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

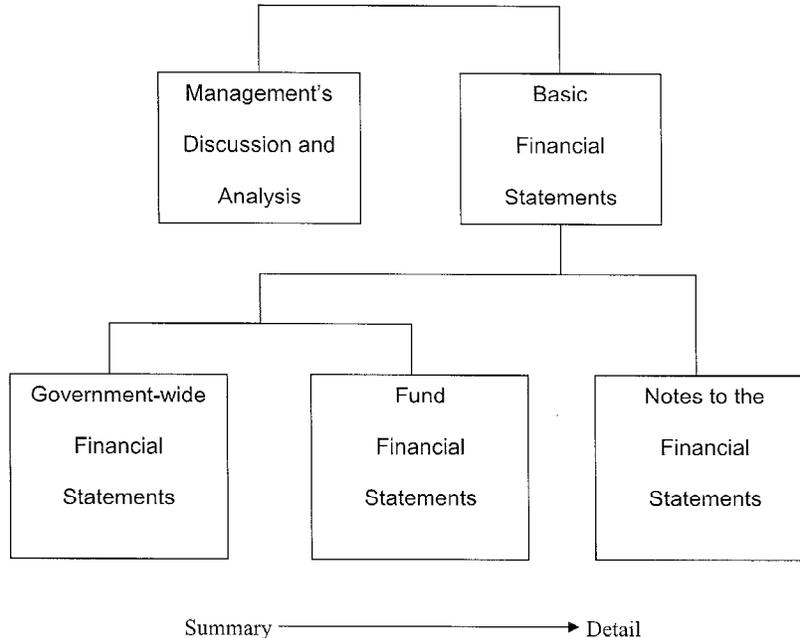
- The assets of Scotland County exceeded its liabilities at the close of the fiscal year by \$7,436,508 (*net assets, exhibit 1*).
- The government's total net assets decreased by \$2,580,175 primarily due to decrease in government type activities net assets.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$7,957,478 (*exhibit 3*) a decrease of \$1,620,698 in comparison with the prior year. Approximately 39.02 percent of this total amount, or \$3,104,942 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 \$2,702,773 or 6.73 percent of total General Fund expenditures for the fiscal year.
- Scotland County maintained its Aaa bond rating.

### Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



**Basic Financial Statements**

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

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

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

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

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

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

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

**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 24 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 52 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Scotland County exceeded liabilities by \$7,436,508 as of June 30, 2011. The County's net assets decreased by \$2,580,175 (exhibit 2) for the fiscal year ended June 30, 2011. The County will continue to seek every method of containing costs. It is important for the reader to note that Scotland County is financing the long-term debt of school properties without the ability to maintain the ownership of the land, buildings, or other improvements, which would typically be listed as offsetting assets on the Statement of Net Assets. 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. A portion of Scotland County's net assets is negative \$(5,163,919) (Exhibit 1) and unrestricted.

Scotland County's Net Assets  
Figure 2

	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 13,504,668	\$ 14,499,803	\$ 684,827	\$ 913,526	\$ 14,189,495	\$ 15,413,329
Capital assets	9,972,965	7,573,354	9,719,545	10,069,606	19,692,510	27,265,864
Total assets	\$ 23,477,633	\$ 22,073,157	\$ 10,404,372	\$ 10,983,132	\$ 33,882,005	\$ 33,056,289
Long-term liabilities outstanding	\$ 16,456,353	\$ 11,607,370	\$ 8,470,051	\$ 8,388,625	\$ 24,926,404	\$ 19,995,995
Other liabilities	1,466,234	2,749,582	131,719	294,028	1,597,953	3,043,610
Total liabilities	\$ 17,922,587	\$ 14,356,952	\$ 8,601,770	\$ 8,682,653	\$ 26,524,357	\$ 23,039,605
Net assets:						
Invested in capital assets, net of related debt	\$ 6,093,035	\$ 6,092,155	\$ 2,959,288	\$ 3,123,606	\$ 9,052,323	\$ 9,215,761
Restricted	4,704,790	-	-	-	4,704,790	-
Unrestricted	(5,163,919)	1,624,050	(1,156,686)	(823,127)	(6,320,605)	800,923
Total net assets	\$ 5,633,906	\$ 7,716,205	\$ 1,802,602	\$ 2,300,479	\$ 7,436,508	\$ 10,016,684

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

- Continued diligence in the collection of property taxes by keeping our collection percentage around 92.76% and striving to improve collectibility.
- Continued utilization of management's successful cost containment strategies, which have resulted in strong cash reserves.
- Continued low cost of debt due to aggressive structuring of debt issuances and refinancing and the County's high bond rating.

**Scotland County Changes in Net Assets**  
**Figure 3**

**SCOTLAND COUNTY'S CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,776,815	\$ 2,749,588	\$ 2,612,223	\$ 2,854,346	\$ 5,389,038	\$ 5,603,934
Operating grants and contributions	10,318,739	10,019,365	-	-	10,318,739	10,019,365
General revenues:						
Property taxes	20,175,101	19,586,798	-	-	20,175,101	19,586,798
Local option sales tax	5,544,879	5,758,104	-	-	5,544,879	5,758,104
Other taxes	232,850	394,663	-	-	232,850	394,663
Interest investment earnings	24,354	49,539	-	-	24,354	49,539
Other	446,682	777,656	-	-	446,682	777,656
<b>Total revenues</b>	<b>\$ 39,519,420</b>	<b>\$ 39,335,713</b>	<b>\$ 2,612,223</b>	<b>\$ 2,854,346</b>	<b>\$ 42,131,643</b>	<b>\$ 42,190,059</b>
Expenses:						
General government	4,218,809	3,918,279	-	-	4,218,809	3,918,279
Public safety	8,285,999	7,538,392	-	-	8,285,999	7,538,392
Economic and physical development	1,475,004	1,554,525	-	-	1,475,004	1,554,525
Human services	13,231,822	12,701,607	-	-	13,231,822	12,701,607
Cultural and recreation	1,088,353	1,069,432	-	-	1,088,353	1,069,432
Other expenditures	341,128	305,099	-	-	341,128	305,099
Education	12,443,253	13,092,400	-	-	12,443,253	13,092,400
Revaluation	175,143	203,327	-	-	175,143	203,327
Interest on long-term debt	342,208	683,929	-	-	342,208	683,929
Solid waste	-	-	1,698,378	1,933,184	1,698,378	1,933,184
Water district I	-	-	696,894	527,135	696,894	527,135
Water district II	-	-	714,827	614,654	714,827	614,654
<b>Total expenses</b>	<b>\$ 41,601,719</b>	<b>\$ 41,066,990</b>	<b>\$ 3,110,099</b>	<b>\$ 3,074,973</b>	<b>\$ 44,711,818</b>	<b>\$ 44,141,963</b>
(Decrease) in net assets before transfers	(2,082,299)	(1,731,277)	(497,876)	(220,627)	(2,580,175)	(1,951,904)
Transfers	-	-	-	-	-	-
(Decrease) in net assets	(2,082,299)	(1,731,277)	(497,876)	(220,627)	(2,580,175)	(1,951,904)
Net assets, July 1	7,716,205	9,447,482	2,300,478	2,521,107	10,016,683	11,968,569
<b>Net assets, June 30</b>	<b>\$ 5,633,906</b>	<b>\$ 7,716,205</b>	<b>\$ 1,802,602</b>	<b>\$ 2,300,480</b>	<b>\$ 7,436,508</b>	<b>\$ 10,016,665</b>

**Governmental activities.** Governmental activities decreased the County's net assets by \$2,161,159. The decrease was due to less sales tax, other taxes and interest revenue and other post employment benefit accruals.

**Business-type activities:** Business-type activities decreased Scotland County's net assets by \$497,876. The Proprietary Funds had a decrease in net assets primarily due to depreciation in the Water District I, Water District II and the landfill. Other post employment benefit accruals also added to the decrease.

#### **Financial Analysis of the County's Funds**

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

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

The General Fund is the chief operating fund of Scotland County. At the end of the current fiscal year Scotland County fund balance available in the General Fund was \$2,702,773, while total fund balance reached \$5,114,540. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.73 percent of total General Fund expenditures, while total fund balance represents 12.73 percent of that same amount.

At June 30, 2011, the governmental funds of Scotland County reported a combined fund balance of \$7,957,478 a 16.83 percent decrease over last year. The primary reason for this decrease is a decrease in sales tax collections.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund decreased revenues by \$2,136,211.

**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 assets of the Public Works-Solid Waste Fund at the end of the fiscal year amounted to \$(1,773,401), and those for the Water District I Fund equaled \$761,360, and those for the Water District II Fund equaled \$(144,645). The total change in net assets for these Funds was \$(109,560), \$(149,607) and \$(238,709) respectively.

#### **Capital Asset and Debt Administration**

**Capital assets.** Scotland County's capital assets for its governmental and business-type activities as of June 30, 2011 totals \$19,692,510 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of new equipment for the Public Safety Department and general areas of the General Fund
- Construction in progress for the Wagram School project and other capital projects
- Purchase of equipment for the landfill

Scotland County's Capital Assets  
Figure 4

SCOTLAND COUNTY'S CAPITAL ASSETS  
(net of depreciation)

	Governmental Activities 2011	Governmental Activities 2010	Business-type Activities 2011	Business-type Activities 2010	Total 2011	Total 2010
Land	\$ 1,352,082	\$ 1,313,332	\$ 314,334	\$ 239,684	\$ 1,666,416	\$ 1,553,016
Buildings and system	5,253,414	5,025,547	9,042,727	9,408,791	14,296,141	14,434,338
Machinery and equipment	321,449	102,609	288,593	302,631	610,042	405,240
Vehicles and motorized equipment	1,058,337	734,445	73,888	118,500	1,132,225	852,945
Construction in progress	<u>1,987,683</u>	<u>397,421</u>	<u>-</u>	<u>-</u>	<u>1,987,683</u>	<u>397,421</u>
Total	<u>\$ 9,972,965</u>	<u>\$ 7,573,354</u>	<u>\$ 9,719,542</u>	<u>\$ 10,069,606</u>	<u>\$ 19,692,507</u>	<u>\$ 17,642,960</u>

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

**Long-term Debt.** As of June 30, 2011 Scotland County had total bonded debt outstanding of \$15,333,000 all of which is debt backed by the full faith and credit of the County.

**Scotland County's Outstanding Debt  
General Obligation and Revenue Bonds  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 8,735,000	\$ 9,805,000	\$6,598,000	\$6,706,000	\$15,333,000	\$ 16,511,000
Installment purchases	3,879,930	1,481,199	162,257	240,000	4,042,187	1,721,199
<b>Total</b>	<b>\$12,614,930</b>	<b>\$11,286,199</b>	<b>\$6,760,257</b>	<b>\$6,946,000</b>	<b>\$19,375,187</b>	<b>\$ 18,232,199</b>

Scotland County's total debt increased by \$1,142,988 during the past fiscal year, due to new debts issued.

As mentioned in the financial highlights section of this document, Scotland County maintained for the 19th consecutive year, its Aaa bond rating from Moody's Investor Service. This bond rating is a clear indication of the sound financial condition of Scotland County. Scotland County is one of the few counties in the country that maintains the highest financial rating from both major rating agencies. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

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 \$137,423,581.

Additional information regarding Scotland County's long-term debt can be found in Note III.B.7. beginning on page 48 of this audited financial report.

**Economic Factors and Next Year's Budgets and Rates**

- The County's unemployment rate continues to be one of the highest in the State at 17.7% which is well above the state average.
- Two plants closed in July 2011 - Qualpak (70 employees) and Mohawk Carpet (197 employees, 97 are Scotland County residents).
- FCC will have a 10 million dollar expansion which will create 30 new employees.
- Economic Development Corporation will begin construction of a 1 million dollar business incubator and new industrial park this winter.
- Greenrite will begin construction this fall on a biomass company with a 14 million dollar investment and 16 jobs.

**Budget Highlights for the Fiscal Year Ending June 30, 2012**

- General Fund expenditure budget was reduced by 4.5 million (10.9%) to offset continued decrease in sales tax revenues.
- Sales taxes are expected to remain flat compared to 2011 actuals.
- The County completed a property tax revaluation this past spring.

**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 the Finance Officer, Scotland County, PO Box 489, Laurinburg, NC 28353.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Scotland County, North Carolina  
Statement of Net Assets  
June 30, 2011

	Primary Government			Scotland County Historic Properties Commission
	Governmental Activities	Business- type Activities	Scotland County ABC Board	
<b>Assets</b>				
Cash and cash equivalents	4,328,461	549,687	88,630	79,322
Inventory	-	-	200,131	-
Receivables (net):				
Taxes	4,077,455	-	-	-
Accounts	347,392	231,143	-	-
Due from other governments	1,861,928	-	-	-
Due (to) from other funds	96,003	(96,003)	-	-
Prepaid expenses	144,700	-	1,707	-
Restricted cash	2,645,229	-	-	-
Deferred charge - bond issuance cost	3,500	-	-	-
Capital assets:				
Land, improvements and construction in progress	3,339,765	314,334	19,800	195,000
Other capital assets, net of depreciation	6,633,200	9,405,211	60,647	437,277
Total capital assets	9,972,965	9,719,545	79,647	632,277
Total assets	23,477,633	10,404,372	370,115	711,599
<b>Liabilities</b>				
Accounts payable and accrued liabilities	1,078,790	131,719	141,220	3,390
Unearned revenues	387,444	-	-	-
Long-term liabilities:				
Due within one year	2,279,658	189,479	-	-
Due in more than one year	14,097,835	8,280,572	-	-
Total long-term liabilities	16,377,493	8,470,051	141,220	3,390
Total liabilities	17,845,727	8,601,770	141,220	3,390
<b>Net assets</b>				
Invested in capital assets, net of related debt	6,095,035	2,959,288	79,647	632,277
Restricted for:				
Fire protection	570,693	-	-	-
School capital project	1,012,317	-	-	-
Emergency telephone	816,456	-	48,630	-
Stabilization by State statute	2,305,324	-	-	-
Unrestricted	(5,165,919)	(1,156,686)	100,618	46,134
Total net assets	5,653,906	1,802,602	228,895	678,411

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, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Scotland County Historic Properties Commission
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	
<b>Primary government:</b>									
Governmental activities:									
General government	4,218,809	668,522	12,413	-	(3,537,874)	-	(3,537,874)	-	-
Public safety	8,285,999	1,448,840	-	-	(6,837,159)	-	(6,837,159)	-	-
Economic and physical development	1,475,004	-	582,356	487,246	(405,402)	-	(405,402)	-	-
Human services	13,231,822	-	9,236,724	-	(3,995,098)	-	(3,995,098)	-	-
Cultural and recreational	1,088,353	-	-	-	(1,088,353)	-	(1,088,353)	-	-
Other expenditures	341,128	-	-	-	(341,128)	-	(341,128)	-	-
<b>Intergovernmental:</b>									
Education	12,443,253	659,453	-	-	(11,783,800)	-	(11,783,800)	-	-
Revaluation	175,143	-	-	-	(175,143)	-	(175,143)	-	-
Interest on long-term debt	342,208	-	-	-	(342,208)	-	(342,208)	-	-
<b>Total governmental activities</b>	<b>41,601,719</b>	<b>2,776,815</b>	<b>9,831,493</b>	<b>487,246</b>	<b>(28,506,165)</b>	<b>-</b>	<b>(28,506,165)</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>									
Public Works	1,698,378	1,588,818	-	-	-	(109,560)	(109,560)	-	-
Water District Phase I	696,894	547,287	-	-	-	(149,607)	(149,607)	-	-
Water District Phase II	714,827	476,118	-	-	-	(238,709)	(238,709)	-	-
	3,110,099	2,612,223	-	-	-	(497,876)	(497,876)	-	-
<b>Component units:</b>									
ABC Board	1,268,247	1,264,890	-	-	-	-	-	(3,357)	(24,855)
Historic Properties	53,305	-	18,450	10,000	-	-	-	-	(24,855)
<b>Total component units</b>	<b>1,321,552</b>	<b>1,264,890</b>	<b>18,450</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,357)</b>	<b>(24,855)</b>

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, 2011

Exhibit 2

	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				
	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission
General revenues:					
Taxes:					
Property taxes, levied for general purpose	20,175,101	-	20,175,101	-	-
Local option sales tax	5,544,879	-	5,544,879	-	-
Other taxes and licenses	232,850	-	232,850	-	-
Investment earnings, unrestricted	24,354	-	24,354	121	-
Miscellaneous, unrestricted	446,682	-	446,682	-	14,711
Total general revenues, special items, and transfers	26,423,866	-	26,423,866	121	14,711
Change in net assets	(2,082,299)	(497,876)	(2,580,175)	(3,236)	(10,144)
Net assets-beginning	7,716,205	2,500,478	10,016,683	232,131	718,353
Net assets-ending	5,633,906	1,802,602	7,436,508	228,895	708,209

General revenues:  
 Taxes:  
 Property taxes, levied for general purpose  
 Local option sales tax  
 Other taxes and licenses  
 Investment earnings, unrestricted  
 Miscellaneous, unrestricted  
 Total general revenues, special items, and transfers  
 Change in net assets  
 Net assets-beginning  
 Net assets-ending

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

**FUND FINANCIAL STATEMENTS**

Scotland County, North Carolina  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	4,117,028	211,433	4,328,461
Restricted cash	-	2,645,229	2,645,229
Receivables (net)			
Taxes	4,077,455	-	4,077,455
Accounts	346,383	1,011	347,394
Prepaid expense	144,700	-	144,700
Due from other governments	1,824,681	37,246	1,861,927
Due from other funds	96,003	-	96,003
Total assets	10,606,250	2,894,919	13,501,169
<b>Liabilities and fund balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	1,026,811	51,981	1,078,792
Deferred revenues	4,077,455	-	4,077,455
Unearned revenue	387,444	-	387,444
Total liabilities	5,491,710	51,981	5,543,691
<b>Fund balances:</b>			
<b>Nonspendable:</b>			
Prepaid expenses	144,700	-	144,700
<b>Restricted:</b>			
Stabilization by State statute	2,267,067	38,257	2,305,324
Fire protection	-	570,693	570,693
School capital project	-	1,012,317	1,012,317
Emergency telephone	-	816,456	816,456
<b>Committed:</b>			
Tax revaluation	-	3,046	3,046
<b>Unassigned:</b>	2,702,773	402,169	3,104,942
Total fund balances	5,114,540	2,842,938	7,957,478
Total liabilities and fund balances	10,606,250	2,894,919	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,972,965
Deferred charges related to advance refunding bond issue	3,500
Liabilities for earned but deferred revenues in fund statements.	4,077,455
Some liabilities, including bonds-notes payable, accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(16,377,492)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>5,633,906</b>

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, 2011

	General Fund	Other Governmental Funds	Total
<b>Revenues:</b>			
Ad valorem taxes	19,719,472	226,197	19,945,669
Local option sales taxes	5,275,699	269,180	5,544,879
Other taxes and licenses	92,898	54,995	147,893
Unrestricted intergovernmental	128,447	-	128,447
Restricted intergovernmental	9,963,487	1,069,602	11,033,089
Permits and fees	331,967	-	331,967
Sales and services	1,370,257	-	1,370,257
Investment earnings	17,569	6,785	24,354
Fines, forfeitures	293,068	-	293,068
Miscellaneous	610,531	-	610,531
Total revenues	<u>37,803,395</u>	<u>1,626,759</u>	<u>39,430,154</u>
<b>Expenditures:</b>			
General government	2,044,123	-	2,044,123
Public safety	7,221,784	514,421	7,736,205
Economic & physical development	863,024	557,356	1,420,380
Central service	1,844,412	-	1,844,412
Human services	12,382,124	-	12,382,124
Cultural and recreational	1,033,729	-	1,033,729
Other expenditures	341,128	-	341,128
Education	12,443,253	-	12,443,253
Revaluation	-	175,143	175,143
Capital outlay	-	2,616,878	2,616,878
Debt service:			
Principal retirement	1,671,269	-	1,671,269
Interest	342,208	-	342,208
Total expenditures	<u>40,187,054</u>	<u>3,863,798</u>	<u>44,050,852</u>
Excess of revenues (under) expenditures	(2,383,659)	(2,237,039)	(4,620,698)
<b>Other financing sources (uses):</b>			
Transfers (to) other funds	(50,000)	50,000	-
Transfers from other funds	121,598	(121,598)	-
Installment obligations issued	-	3,000,000	3,000,000
Total other financing sources (uses)	<u>71,598</u>	<u>2,928,402</u>	<u>3,000,000</u>
Net change in fund balance	(2,312,061)	691,363	(1,620,698)
Fund balances-beginning	<u>7,426,601</u>	<u>2,151,574</u>	<u>9,578,175</u>
Fund balances-ending	<u>5,114,540</u>	<u>2,842,937</u>	<u>7,957,477</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, 2011

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

Net changes in fund balances - total governmental funds	(1,620,698)
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.	2,408,428
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	229,432
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,329,231)
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>(1,770,230)</u>
Total changes in net assets of governmental activities	<u><u>(2,082,299)</u></u>

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

Scotland County, North Carolina  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	21,035,858	21,203,858	19,719,472	(1,484,386)
Local option sales taxes	6,203,800	6,203,800	5,275,699	(928,101)
Other taxes and licenses	59,000	59,000	92,898	33,898
Unrestricted intergovernmental	200,000	200,000	128,447	(71,553)
Restricted intergovernmental	9,966,085	10,729,750	9,963,487	(766,263)
Permits and fees	260,700	253,655	331,967	78,312
Sales and services	1,258,300	1,258,300	1,370,257	111,957
Investment earnings	100,000	100,000	17,569	(82,431)
Fines, forfeitures	400,000	400,000	293,068	(106,932)
Miscellaneous	455,863	455,863	610,531	154,668
Total revenues	<u>39,939,606</u>	<u>40,864,226</u>	<u>37,803,395</u>	<u>(3,060,831)</u>
<b>Expenditures:</b>				
General government	2,306,174	2,306,172	2,044,123	262,049
Public safety	7,368,571	7,377,475	7,221,784	155,691
Economic and physical development	1,133,288	1,145,607	863,024	282,583
Central services	2,002,222	1,943,923	1,844,412	99,511
Human services	12,747,912	13,654,027	12,382,124	1,271,903
Cultural and recreational	1,263,887	1,273,409	1,033,729	239,680
Other expenditures	237,097	237,097	341,128	(104,031)
Intergovernmental:				
Education	12,493,420	12,719,188	12,443,253	275,935
Debt service:				
Principal retirement	1,671,269	1,671,269	1,671,269	-
Interest	342,212	342,212	342,208	4
Total expenditures	<u>41,566,052</u>	<u>42,670,379</u>	<u>40,187,054</u>	<u>2,483,325</u>
Excess of revenues (under) expenditures	(1,626,446)	(1,806,153)	(2,383,659)	(577,506)
<b>Other financing sources (uses):</b>				
Transfers (to) other funds	(50,000)	(50,000)	(50,000)	-
Transfers from other funds	-	-	121,598	121,598
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>71,598</u>	<u>121,598</u>
Appropriated fund balance	1,676,446	1,856,153	-	(1,856,153)
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(2,312,061)</u>	<u>(2,312,061)</u>
Fund balances - beginning			<u>7,426,601</u>	
Fund balances - ending			<u><u>5,114,540</u></u>	

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

Scotland County, North Carolina  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2011

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	170	549,517	-	549,687
Accounts receivable, net	127,112	60,151	43,880	231,143
Due (to) from other funds	-	173,944	(173,944)	-
Total current assets	<u>127,282</u>	<u>783,612</u>	<u>(130,064)</u>	<u>780,830</u>
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	314,334	-	-	314,334
Other capital assets, net of depreciation	427,398	2,853,715	6,124,098	9,405,211
Total capital assets	<u>741,732</u>	<u>2,853,715</u>	<u>6,124,098</u>	<u>9,719,545</u>
Total assets	<u>869,014</u>	<u>3,637,327</u>	<u>5,994,034</u>	<u>10,500,375</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	99,292	17,846	14,581	131,719
General obligation bonds payable	-	38,500	71,000	109,500
Installment financing notes payable	79,979	-	-	79,979
Due to other funds	96,003	-	-	96,003
Total current liabilities	<u>275,274</u>	<u>56,346</u>	<u>85,581</u>	<u>417,201</u>
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,594,750	-	-	1,594,750
Other post employment benefits	78,860	-	-	78,860
Compensated absences payable	31,778	4,406	-	36,184
General obligation bonds payable	-	1,752,000	4,736,500	6,488,500
Installment financing notes payable	82,278	-	-	82,278
Total noncurrent liabilities	<u>1,787,666</u>	<u>1,756,406</u>	<u>4,736,500</u>	<u>8,280,572</u>
Total liabilities	<u>2,062,940</u>	<u>1,812,752</u>	<u>4,822,081</u>	<u>8,697,773</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	579,475	1,063,215	1,316,598	2,959,288
Unrestricted	<u>(1,773,401)</u>	<u>761,360</u>	<u>(144,645)</u>	<u>(1,156,686)</u>
Total net assets	<u>(1,193,926)</u>	<u>1,824,575</u>	<u>1,171,953</u>	<u>1,802,602</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 Assets**  
**Proprietary Funds**  
For the Year Ended June 30, 2011

	Enterprise Funds			
	Blended Component Units			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	Total
Operating revenues:				
Charges for services	1,414,983	546,787	473,793	2,435,563
Water taps	-	500	2,325	2,825
Other operating revenues	<u>173,835</u>	<u>-</u>	<u>-</u>	<u>173,835</u>
Total operating revenues	1,588,818	547,287	476,118	2,612,223
Operating expenses:				
Water purchases	-	192,360	127,366	319,726
Water operations	-	302,207	196,389	498,596
Landfill operations	1,554,715	-	-	1,554,715
Landfill closure and postclosure care costs	45,717	-	-	45,717
Depreciation	<u>91,046</u>	<u>113,236</u>	<u>183,736</u>	<u>388,018</u>
Total operating expenses	1,691,478	607,803	507,491	2,806,772
Operating (loss)	(102,660)	(60,516)	(31,373)	(194,549)
Nonoperating (expenses):				
Interest	<u>(6,900)</u>	<u>(89,091)</u>	<u>(207,336)</u>	<u>(303,327)</u>
Total nonoperating (expenses)	(6,900)	(89,091)	(207,336)	(303,327)
(Loss) before transfers	(109,560)	(149,607)	(238,709)	(497,876)
Change in net assets	(109,560)	(149,607)	(238,709)	(497,876)
Total net assets - beginning	<u>(1,084,366)</u>	<u>1,974,182</u>	<u>1,410,663</u>	<u>2,300,479</u>
Total net assets - ending	<u>(1,193,926)</u>	<u>1,824,575</u>	<u>1,171,954</u>	<u>1,802,603</u>

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

Scotland County, North Carolina  
**Statement of Cash Flows**  
For the Year Ended June 30, 2011

	Business-type Activities			Totals June 30, 2011
	Enterprise Funds			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	1,629,428	672,065	601,792	2,903,285
Cash paid for goods and services	(984,644)	(438,114)	(324,289)	(1,747,047)
Cash paid to or on behalf of employees for services	(503,307)	(63,520)	-	(566,827)
Net cash provided by operating activities	141,477	170,431	277,503	589,411
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Increase (decrease) in due to (from) other funds	(21,281)	(833)	833	(21,281)
Total cash flows provided by (used in) financing activities	(21,281)	(833)	833	(21,281)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(37,957)	-	-	(37,957)
Interest paid on bond maturities and equipment contracts	(6,900)	(89,091)	(207,336)	(303,327)
Principal paid on bond maturities and equipment contracts	(77,743)	(37,000)	(71,000)	(185,743)
Net cash (used in) capital and related financing activities	(122,600)	(126,091)	(278,336)	(527,027)
Net increase (decrease) in cash and cash equivalents	(2,404)	43,507	-	41,103
Balances - beginning of the year	2,574	506,010	-	508,584
Balances - end of the year	170	549,517	-	549,687

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

Scotland County, North Carolina  
**Statement of Cash Flows**  
For the Year Ended June 30, 2011

	Business-type Activities			Totals June 30, 2011
	Enterprise Funds			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating (loss)	(102,660)	(60,516)	(31,373)	(194,549)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	91,046	113,236	183,736	388,018
Provision for uncollectible accounts	-	(66,153)	(21,435)	(87,588)
Landfill closure and postclosure care costs	45,717	-	-	45,717
Changes in assets and liabilities:				
Decrease in accounts receivable	40,610	190,951	147,109	378,670
Increase (decrease) in accounts payable and accrued liabilities	30,856	(6,888)	(534)	23,434
Increase (decrease) in accrued vacation pay	1,191	(199)		992
Increase in OPEB payable	34,717	-	-	34,717
Total adjustment	244,137	230,947	308,876	783,960
Net cash provided by operating activities	<u>141,477</u>	<u>170,431</u>	<u>277,503</u>	<u>589,411</u>

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

Scotland County, North Carolina  
**Fiduciary Fund**  
 For the Year Ended June 30, 2011

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>820,191</u>
Liabilities	
Miscellaneous liabilities	<u>820,191</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, 2011

**I. Summary of Significant Accounting Policies**

The accounting policies of Scotland County and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

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

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

## **B. Basis of Presentation, Basis of Accounting**

### **Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the primary government (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; and the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.

#### **Measurement Focus, Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Scotland County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31<sup>st</sup> each year with taxes due by May 1<sup>st</sup> of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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

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

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

### **C. Budgetary Data**

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

### **D. Assets, Liabilities, and Fund Equity**

#### **1. Deposits and Investments**

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

## **2. Cash and Cash Equivalents**

The County pools moneys from several funds, except the Pension Trust Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board 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.

## **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, 2005. As allowed by state law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

## **4. Allowances for Doubtful Accounts**

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

## **5. Inventories and Prepaid Items**

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

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

**6. Capital Assets**

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

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

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

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

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

**7. Long-term Obligations**

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

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

**8. Compensated Absences**

The vacation policies of the County and the ABC Board provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

## 9. Net Assets/Fund Balances

### **Net Assets**

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

### **Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

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

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

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

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

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

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

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

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

**E. Reconciliation of Government-wide and Fund Financial Statements**

**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets.**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$2,402,432 consists of several elements as follows:

Fixed assets	18,545,726
Less accumulated depreciation	(8,572,761)
Net capital assets	\$ 9,972,965
Deferred charges related to bond issuance cost included on government-wide statements of net assets but are not a current financial source of funds	3,500
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	4,077,455
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	(12,614,929)
Compensated absences	(874,123)
Net pension obligation	(33,466)
Other post-employment benefits	(2,854,974)
	(16,377,492)
Total adjustment	\$ (2,323,572)

**2. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. There are several elements of that total adjustment of \$540,461 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 3,067,923
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.	(659,495)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net assets.	(3,000,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements.	1,671,769
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.	
Amortization of bond issuance cost not recorded on fund statements.	(500)
Compensated absences	(28,273)
Other postemployment benefits	(1,741,457)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in deferred tax revenue at year end	228,432
Total adjustment	<u>\$ (461,601)</u>

## **II. Stewardship, Compliance, and Accountability**

### **A. Deficit in Net Assets**

The Public Works Fund has negative Net Assets as of June 30, 2011 in the amount of \$(1,193,926). A corrective action plan has been outlined in the compliance section of this report. (See significant deficiency 2011-1 in the Schedule of Findings and Questioned Costs).

### **B. Excess of Expenditures over Appropriations**

In the General Fund, three departments had excess expenditures over appropriations. The following three departments had excess expenditures: Legal, Jail and the Scots for Youth program located in other expenditures. A corrective action plan has been outlined in the compliance section of this report. (See significant deficiency 2011-2 in the Schedule of Findings and Questioned Costs).

## **III. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

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

At June 30, 2011, the County's deposits had a carrying amount of \$2,966,743 and a bank balance of \$3,283,339. Of the bank balance \$500,000 was covered by federal depository insurance, and \$325,000 in non-interest bearing deposits and \$2,458,339 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2011, Scotland County had \$3,000 cash on hand.

At June 30, 2011, the carrying amount of deposits for Scotland County ABC Board was \$88,630 and the bank balance was \$92,092. All of the bank balance was covered by federal depository insurance.

At June 30, 2011, the carrying amount of deposits for Scotland County Historic Properties Commission was \$79,322 and the bank balance was \$79,322. 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, 2011, the County's investments consisted of \$5,373,447 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

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

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

Year Levied	Tax	Interest	Total
2008	692,203	39,802	732,005
2009	666,082	38,300	704,382
2010	666,666	38,333	704,999
2011	<u>668,690</u>	<u>38,450</u>	<u>707,140</u>
Total	<u>2,693,641</u>	<u>154,885</u>	<u>2,848,526</u>

#### 4. Receivables

Receivables at the government-wide level at June 30, 2011, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Funds/ Governments	Total
<b>Governmental activities:</b>				
General	\$ 347,394	\$ 4,311,470	\$ 1,961,309	\$ 6,620,173
Total receivables	347,394	4,311,470	1,961,309	\$ 6,620,173
Allowance for doubtful accounts	-	234,015	-	\$ 234,015
Total - governmental activities	\$ 347,394	\$ 4,077,455	\$ 1,961,309	\$ 6,386,158
<b>Business-type activities:</b>				
Public works	\$ 127,112	\$ -	\$ -	\$ 127,112
Water district I	60,151	-	-	\$ 60,151
Water district II	43,880	-	-	\$ 43,880
Total - business-type activities	\$ 231,143	\$ -	\$ -	\$ 231,143

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

Local option sales tax/sales tax refunds	\$ 876,158
DSS reimbursements	948,523
Total	\$ 1,824,681

#### 5. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,313,332	\$ 38,750	\$ -	\$ 1,352,082
Construction in progress	397,421	1,987,683	397,421	\$ 1,987,683
Total capital assets not being depreciated	1,710,753	2,026,433	397,421	\$ 3,339,765
<b>Capital assets being depreciated:</b>				
Buildings & improvements	8,423,590	1,018,253	63,946	\$ 9,377,896
Equipment	1,717,661	120,590	197,058	\$ 1,641,193
Vehicles and motor equipment	5,148,994	300,070	1,262,192	\$ 4,186,872
Total capital assets being depreciated	15,290,245	1,438,912	1,523,196	\$ 15,205,961
Less accumulated depreciation for:				
Buildings & improvements	3,977,771	209,556	62,845	\$ 4,124,482
Equipment	1,423,870	85,888	190,014	\$ 1,319,744
Vehicles and motor equipment	4,026,005	364,051	1,261,521	\$ 3,128,536
Total accumulated depreciation	\$ 9,427,646	\$ 659,495	\$ 1,514,379	\$ 8,572,761
Total capital assets being depreciated, net	5,862,600			\$ 6,633,200
<b>Governmental activity capital assets, net</b>	<b>\$ 7,573,353</b>			<b>\$ 9,972,965</b>

#### Primary Government

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

General government	\$ 172,993
Public safety	238,361
Central service	80,187
Human services	167,955
Total depreciation expense	\$ 659,495

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Landfill</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 314,334	\$ -	\$ -	\$ 314,334
<b>Capital assets being depreciated:</b>				
Buildings	867,187	-	-	\$ 867,187
Improvements	244,816	-	-	\$ 244,816
Furniture and maintenance equipment	2,086,307	-	-	\$ 2,086,307
Vehicles	366,946	37,957	-	\$ 404,903
Total capital assets being depreciated	3,565,256	37,957	-	\$ 3,603,213
Less accumulated depreciation for:				
Buildings	767,759	19,091	-	\$ 786,850
Improvements	260,238	-	-	\$ 260,238
Furniture and maintenance equipment	1,756,054	41,660	-	\$ 1,797,714
Vehicles	300,719	30,295	-	\$ 331,014
Total accumulated depreciation	\$ 3,084,770	\$ 91,046	\$ -	\$ 3,175,816
Total capital assets being depreciated, net	\$ 480,486			\$ 427,397
<b>Landfill capital assets, net</b>	<b>\$ 794,820</b>			<b>\$ 741,731</b>
<b>Scotland County Water District I</b>				
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	4,529,450	-	-	\$ 4,529,450
Total capital assets being depreciated	4,529,450	-	-	\$ 4,529,450
Less accumulated depreciation for:				
Plant and distribution systems	1,562,500	113,236	-	\$ 1,675,736
Total accumulated depreciation	\$ 1,562,500	\$ 113,236	\$ -	\$ 1,675,736
Total capital assets being depreciated, net	\$ 2,966,950			\$ 2,853,714
<b>Scotland County Water District I capital assets, net</b>	<b>\$ 2,966,950</b>			<b>\$ 2,853,714</b>
<b>Scotland County Water District II</b>				
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	7,349,440	-	-	\$ 7,349,440
Total capital assets being depreciated	7,349,440	-	-	\$ 7,349,440
Less accumulated depreciation for:				
Plant and distribution systems	1,041,606	183,736	-	\$ 1,225,342
Total accumulated depreciation	\$ 1,041,606	\$ 183,736	\$ -	\$ 1,225,342
Total capital assets being depreciated, net	\$ 6,307,834			\$ 6,124,098
<b>Scotland County Water District II capital assets, net</b>	<b>\$ 6,307,834</b>			<b>\$ 6,124,098</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 10,069,604</b>			<b>\$ 9,719,542</b>

**Discretely presented component units:**

Activity for the ABC Board for the year ended June 30, 2011, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	187,383	-	-	187,383
Furniture and equipment	<u>72,112</u>	<u>-</u>	<u>-</u>	<u>72,112</u>
Total capital assets being depreciated	<u>259,495</u>	<u>-</u>	<u>-</u>	<u>259,495</u>
Total accumulated depreciation	<u>189,440</u>	<u>9,409</u>	<u>-</u>	<u>198,849</u>
ABC capital assets, net	<u>\$ 208,440</u>			<u>\$ 79,646</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2011, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land	\$ 195,000	\$ -	\$ -	\$ 195,000
Historic buildings	<u>21,053</u>	<u>-</u>	<u>-</u>	<u>21,053</u>
Total capital assets not being depreciated	216,053	-	-	216,053
Capital assets being depreciated:				
Buildings	431,636	9,752	-	441,388
Furniture and equipment	<u>225,198</u>	<u>-</u>	<u>-</u>	<u>225,198</u>
Total capital assets being depreciated	<u>656,834</u>	<u>9,752</u>	<u>-</u>	<u>666,586</u>
Less accumulated depreciation	<u>227,512</u>	<u>22,850</u>	<u>-</u>	<u>250,362</u>
Commission capital assets, net	<u>\$ 624,322</u>			<u>\$ 632,277</u>

**B. Liabilities**

**1. Payables & Accrued Liabilities**

Payables at the government-wide level at June 30, 2011 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	412,029	614,780	-	1,026,809
Other governmental	<u>48,455</u>	<u>3,526</u>	<u>-</u>	<u>51,981</u>
Total - governmental activities	<u>460,484</u>	<u>618,306</u>	<u>-</u>	<u>1,078,790</u>
Business-type activities:				
Public works	76,281	23,012	-	99,293
Water and sewer districts	<u>32,426</u>	<u>-</u>	<u>-</u>	<u>32,426</u>
Total - business-type activities	<u>108,707</u>	<u>23,012</u>	<u>-</u>	<u>131,719</u>

**2. Pension Plan Obligations**

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

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

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.45% and 6.41%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 11.57% 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, 2011, 2010 and 2009 were \$702,732, \$470,502, and \$457,467, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2011, 2010 and 2009 were \$32,033, \$24,397 and \$23,203, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

**b. Law Enforcement Officers' Special Separation Allowance**

**1. *Plan Description.***

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2010, 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>

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

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

**3. Contributions.**

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$56,850, or 3.86% 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, 2010 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 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 21 years.

**Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending 06-30-2011**

(a) Employer annual required contribution	62,875
(b) Interest on net pension obligation	1,582
(c) Adjustment to annual required contribution	(1,694)
(d) Annual pension cost (a) + (b) + (c)	62,763
(e) Employer contributions made for fiscal year ending 06-30-2011	60,945
(f) (Decrease) in net pension obligation (d) – (e)	1,818
(g) Net pension obligation beginning of fiscal year	31,648
(h) Net pension obligation end of fiscal year (f) + (g)	33,466

**3 Year Trend Information**

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	52,647	107.03%	42,705
2010	51,936	121.29%	31,648
2011	62,763	97.10%	33,466

**4. Funded Status and Funding Progress**

As of December 31, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$578,307, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$578,307. The covered payroll (annual payroll of active employees covered by the plan) was \$1,471,871, and the ratio of the UAAL to the covered payroll was 39.29 percent.

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

**c. Supplemental Retirement Income Plan**

**1. For Law Enforcement Officers**

*Plan Description.* The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*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, 2011 were \$122,666, which consisted of \$73,585 from the County and \$49,081 from the law enforcement officers.

**(2) Other than Law Enforcement Officers**

All employees, other than law enforcement officers, employed by the County participate in a Supplemental Retirement Income Plan, a defined contribution pension plan. Employees who have completed their probationary period and are enrolled in the Local Governmental Employees' Retirement System are eligible to participate in the Plan. For the year ended June 30, 2011, the governing body of the County authorized a contribution of 3.75 percent of employees' compensation to the Plan. Also, employees may make voluntary contributions to the Plan.

Total contributions for the year ended June 30, 2011 were \$513,492, which consisted of \$278,584 from the County and \$234,908 from the employees. The County's contributions and the employees' voluntary contributions represented 3.74 percent and 3.15 percent of the covered payroll amount, respectively.

**d. Deferred Compensation Plan**

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

**e. Registers of Deeds' Supplemental Pension Fund**

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

*Funding Policy.* On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent 4.5% of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent 93% of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent 7% of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2011, the County's required and actual contributions were \$2,319.

**f. Other Post Employment Benefit:**

Healthcare Benefits

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

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

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

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

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

Membership of the HCB Plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

Active Members	
Law enforcement officers	43
General employees	261
Retired members	<u>83</u>
Total	<u>387</u>

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

The current ARC rate is 11.73% of annual covered payroll. For the current year the County contributed 395,550 or 3.46% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a Board resolution, for employees represented 16.3% of covered payroll. There were no contributions made by employees, except for dependent coverage in the amount of \$251,174.

*Summary of Significant Accounting Policies.*

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

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

The county's annual OPEB cost, the percentage of annual OPEB cost contribution to the FCC Plan, and the net OPEB obligation for 2011 is as follows:

Annual required contribution	1,346,537
Interest on net OPEB obligation	78,960
Adjustment to annual required contribution	<u>68,122</u>
Annual OPEB cost (expense)	1,357,375
Contributions made	<u>397,550</u>
Increase in net OPEB obligation	959,825
Net OPEB obligation, beginning of year	<u>1,974,009</u>
Net OPEB obligation, end of year	<u>2,933,834</u>

For Year End June 30,	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
2009	1,346,537	23.27%	1,033,200
2010	512,281	73.44%	1,157,184
2011	1,357,375	29.29%	2,933,834

*Funded Status and Funding Progress.* As of December 31, 2010, 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 \$16,438,326. The covered payroll (annual payroll of active employees covered by the plan) was \$10,834,980, and the ratio of the UAAL to the covered payroll was

65.91 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, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 10.50 and 5.00 percent. Both rates included a 3.75 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, 2008 was 30 years.

**g. Other Employment Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2011, the County made contributions to the State for death benefits of \$14,751. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 14% and 10% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

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

State and federal laws and regulations require the County to place a final cover on its Patterson Road Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,594,750 reported as landfill closure and postclosure care liability at June 30, 2011 represents a cumulative amount reported to-date based on the use of 75% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,371,484 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 2011. The County closed the Patterson Road facility in the year 2006. 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, the Scotland County Landfill underwent a study to determine the remaining estimated life of the landfill for closure and postclosure costs. It was determined that the estimated life of the landfill is 30 years. The remaining balance of the closure and postclosure care costs of \$1,371,484 will be accrued over the remaining 30 year life of the landfill.

Landfill Facility and Environmental Remediation

Over the next 30 years, environmental expenditures to insure the landfill is in compliance with environmental regulations are broadly estimated to be \$765,000. Because some of this estimated amount is expended every year and charged to various landfill expenses and the liability is broadly estimated, no liability is accrued at this time.

**4. Deferred/Unearned Revenues**

The balance in deferred revenues on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$387,444
Taxes receivable, net (General)	<u>\$4,077,455</u>	<u>\$ -</u>
Total	<u>\$4,077,455</u>	<u>\$387,444</u>

## **5. Risk Management**

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

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

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

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

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

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

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

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

**7. Long-Term Obligations**

**a. General Obligation Indebtedness**

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

The County's general obligation bonds payable at June 30, 2011 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) 3,455,000

\$6,690,000 school series 2009 bonds due June 1 in  
installments of \$325,000 to \$740,000 through  
June 1, 2020; interest at 3.95%  
(Replaced school series 1998 and 1999) 5,280,000

Total 8,735,000

**b. Installment Financing Contracts**

\$4,224,329 1999 courthouse and jail expansion debt  
due March 1 in installments varying in amounts from  
\$70,000 to \$500,000 through July 15, 2011;  
interest rate 4.8% to 6.75% 426,363

\$350,000 2007 recreation center lighting project debt  
first payment due July 13, 2007 in monthly installments  
of \$4,766.38 through June, 2014; interest rate 3.89% 161,709

\$433,470 spec building project debt first and second  
payments of interest only due July 1, 2008 and  
July 01, 2009. Principal will amortize thereafter on  
July 1 until the loan is paid in full. Interest is 2% 291,858

\$240,000 landfill compactor debt  
first payment due February 2011;  
final payment due February 2013;  
Interest rate is 2.8750% 162,257

\$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 3,000,000

Total 4,042,187

TOTAL 12,777,187

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

Water District Bonds outstanding at June 30, 2011 in the amount of \$6,598,000 are obligations of the water district, a blended component unit of the County and are not obligations of the County. Payments due on this debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	113,500	291,606
2013	118,000	286,541
2014	124,000	281,273
2015	129,500	275,738
2016	134,500	269,956
2017-2021	770,500	1,253,944
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	<u>464,000</u>	<u>29,580</u>
TOTAL	<u>\$ 6,598,000</u>	<u>\$5,382,069</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2012	2,059,636	466,261
2013	1,628,541	395,306
2014	1,387,009	343,043
2015	1,313,000	295,752
2016	1,295,000	250,416
2017-2020	<u>5,094,000</u>	<u>539,902</u>
Total	<u>\$ 12,777,186</u>	<u>\$2,290,679</u>

At June 30, 2011, Scotland County had a legal debt margin of \$137,423,581.

**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, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion of Balance
<b>Governmental activities:</b>					
General obligation debt	\$ 9,805,000	-	1,070,000	\$ 8,735,000	\$ 1,057,000
Installment financing	\$ 1,481,199	3,000,000	601,269	\$ 3,879,930	\$ 1,222,658
Net pension obligation	\$ 31,648	1,818	-	\$ 33,466	\$ -
Compensated absences	\$ 845,852	753,520	725,249	\$ 874,123	\$ -
Other postemployment benefits	\$ 1,113,040	1,741,934	-	\$ 2,854,974	\$ -
Total governmental activities	\$ 13,276,739	\$ 5,497,272	\$ 2,396,518	\$ 16,377,493	\$ 2,279,658
<b>Business-type activities:</b>					
<b>Water and sewer districts</b>					
General obligation debt	\$ 6,706,000	-	108,000	\$ 6,598,000	\$ 109,500
Compensated absences	\$ 4,605	7,287	7,486	\$ 4,406	\$ -
Total water and sewer activities	\$ 6,710,605	7,287	115,486	\$ 6,602,406	\$ 109,500
<b>Landfill</b>					
Accrued landfill closure and postclosure care costs	\$ 1,549,033	45,717	-	\$ 1,594,750	\$ -
Installment financing	\$ 240,000	-	77,743	\$ 162,257	\$ 79,979
Compensated absences	\$ 30,587	29,148	27,958	\$ 31,777	\$ -
Other postemployment benefits	\$ 44,143	34,718	-	\$ 78,861	\$ -
Total landfill activities	\$ 1,863,763	109,583	105,701	\$ 1,867,645	\$ 79,979
Total business-type activities	\$ 8,574,368	\$ 116,870	\$ 221,187	\$ 8,470,051	\$ 189,479

**C. Interfund Balances and Activity**

Transfers to/from other funds

Transfers to/from other funds at June 30, 2011, consist of the following:

From the General Fund to the:

Capital Reserve Fund to finance various capital expenditures	\$ 50,000
From the Youth Center Capital project to the general fund to close out project	\$ (9,000)
From the Spec Building Capital project to the general fund to close out project	\$ (112,597)
Total	\$ (71,597)

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

**General Fund:**

Due from Solid Waste for cash used in operations Exhibit 3 \$ 96,003

**Water District One:**

Due from Water District Two for cash used in operations Exhibit 7 \$ 173,943

**D. Fund Balance**

Scotland County has a revenue spending policy that provides policy for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The finance office 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 balance - General Fund	\$ 5,114,540
Less:	
Stabilization by State Statute	2,693,491
Prepaid expenses	144,700
Working Capital/Fund Balance Policy	2,276,349
Remaining Fund Balance	-

**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 \$27,301 to the Council during the fiscal year ended June 30, 2011.

**Other Organizations**

Richmond Community College, located at Hamlet, North Carolina, maintains a continuing education center in Laurinburg, North Carolina. The facility was deeded to Richmond Community College by the City of Laurinburg in 1987. Scotland County has no contractual obligation to provide financial support to Richmond Community College, has no equity interest but appoints two members of the governing board. The decision to honor requests for financial support by the college is discretionary with the Scotland County Board of Commissioners and is considered at budget consideration time. For the fiscal year ended June 30, 2011, Scotland County approved and paid the sum of \$225,768 to Richmond Community College.

**V. Related Party Transactions**

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

**VI. Benefit Payments Issued by the State**

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

	Federal	State
Medicaid	\$49,250,484	\$19,397,338
Food stamp program	406,699	-
WIC	1,497,323	-
Title IV-E, foster care	268,476	26,846
Adult assistance	-	459,096
	<u>\$51,422,982</u>	<u>\$19,883,280</u>

**VII. Summary Disclosure of Significant Commitments and Contingencies**

**Federal and State Assisted Programs**

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**VIII. Subsequent Events**

No events were noted.

### **Required Supplemental Financial Data**

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-04	-	459,664	459,664	0.00%	1,086,957	42.29%
12-31-05	-	456,930	456,930	0.00%	1,161,962	39.92%
12-31-06	-	512,929	512,929	0.00%	1,176,658	43.59%
12-31-07	-	495,150	495,150	0.00%	1,419,816	34.87%
12-31-08	-	495,412	495,412	0.00%	1,416,775	34.97%
12-31-09	-	619,248	619,248	0.00%	1,538,964	40.24%
12-31-10	-	578,307	578,307	0.00%	1,471,871	39.29%

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%

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	12/31/2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% - 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/07	-	19,296,413	19,296,413	0%	9,381,324	205.70%
12/31/08	-	17,301,674	17,301,674	0%	9,416,098	183.75%
12/31/10	-	16,438,326	16,438,326	0%	10,834,980	151.70%

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>
2009	1,346,537	23.27%
2010	512,281	73.44%
2011	1,346,537	29.52%

**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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend	10.5% to 5.00%
*Includes inflation at	3.75%
Cost-of-living adjustments	None

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

Scotland County, North Carolina  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
For the Fiscal Year Ended June 30, 2011

	2011		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
<b>Ad valorem taxes:</b>			
Taxes		19,460,076	
Interest		259,396	
Total	21,203,858	19,719,472	(1,484,386)
<b>Local option sales taxes:</b>			
Article 39 one percent		2,238,254	
Article 40 one-half of one percent		1,603,831	
Article 42 one-half of one percent		1,192,313	
Article 44 one-half of one percent		241,301	
Total	6,203,800	5,275,699	(928,101)
<b>Other taxes and licenses:</b>			
Franchise tax	59,000	92,898	33,898
<b>Unrestricted intergovernmental:</b>			
Beer and wine tax		84,957	
ABC profit distribution		43,490	
Total	200,000	128,447	(71,553)
<b>Restricted intergovernmental:</b>			
State and federal grants		9,236,724	
Lottery proceeds		659,453	
Court facility fees		67,310	
Total	10,729,750	9,963,487	(766,263)
<b>Permits and fees:</b>			
Election fees		136	
Inspection fees		166,557	
Register of deeds		165,274	
Total	253,655	331,967	78,312

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, 2011

	2011		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Revenues - continued:			
<b>Sales and services:</b>			
Jail and other fees		218,412	
Ambulance fees		967,853	
Recreation fees		124,659	
Health department fees		<u>59,333</u>	
Total	<u>1,258,300</u>	<u>1,370,257</u>	111,957
Investment earnings	100,000	17,569	(82,431)
Fines, forfeitures	400,000	293,065	(106,935)
<b>Miscellaneous:</b>			
Private grants		10,000	
Private donations		2,413	
Sheriff dept. - surveillance - shared revenue		11,273	
Other		<u>586,845</u>	
Total	<u>455,863</u>	<u>610,531</u>	154,668
 Total revenues	 40,864,226	 37,803,394	 (3,060,832)

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, 2011

	2011		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures:			
<b>General government:</b>			
Governing body:			
Salaries and employee benefits		54,298	
Other operating expenditures		<u>26,389</u>	
Total	84,142	80,687	3,455
Administration:			
Salaries and employee benefits		685,300	
Other operating expenditures		3,957	
Capital outlay		<u>14,800</u>	
Total	722,747	704,057	18,690
Elections:			
Salaries and employee benefits		122,364	
Other operating expenditures		<u>29,562</u>	
Total	202,060	151,926	50,134
Tax:			
Salaries and employee benefits		497,421	
Other operating expenditures		<u>134,986</u>	
Total	640,256	632,407	7,849
Legal:			
Contracted services	35,000	44,665	(9,665)
Register of deeds:			
Salaries and employee benefits		182,850	
Other operating expenditures		<u>38,677</u>	
Total	239,817	221,526	18,291

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, 2011

	2011		Variance Positive (Negative)
	Budget	Actual	
Expenditures - continued.			
Court facilities:			
Other operating expenditures		5,692	
Total	105,000	5,692	99,308
Information technology:			
Salaries and employee benefits		109,561	
Other operating expenditures		86,813	
Capital outlay		6,788	
Total	277,150	203,162	73,988
Total general government	2,306,172	2,044,123	262,049
<b>Public safety:</b>			
Sheriff and communications:			
Salaries and employee benefits		2,336,303	
Other operating expenditures		375,153	
Capital outlay		134,171	
Total	2,857,395	2,845,627	11,768
Jail:			
Salaries and employee benefits		1,149,876	
Other operating expenditures		794,292	
Total	1,938,564	1,944,168	(5,604)
Emergency communications & services:			
Salaries and employee benefits		1,463,285	
Other operating expenditures		166,231	
Capital outlay		6,580	
Total	1,747,206	1,636,096	111,110
Forestry service	80,775	77,444	3,331

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, 2011

	2011		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Inspections:			
Salaries and employee benefits		275,048	
Other operating expenditures		<u>15,839</u>	
Total	<u>302,963</u>	<u>290,888</u>	<u>12,075</u>
Planning & zoning:			
Salaries and employee benefits		1,475	
Other operating expenditures		<u>1,366</u>	
Total	<u>8,171</u>	<u>2,841</u>	<u>5,330</u>
Scotland County Rescue Squad	50,000	42,227	7,773
Scotland-Iloke Criminal Justice Partnership grant	153,850	153,850	-
Medical examiner	35,000	27,400	7,600
Animal control:			
Salaries and employee benefits		91,692	
Other operating expenditures		<u>9,284</u>	
Total	<u>103,551</u>	<u>100,976</u>	<u>2,575</u>
Humane society	90,000	94,768	(4,768)
Surveillance and drugs:			
Other operating expenditures		<u>5,500</u>	
Total	<u>10,000</u>	<u>5,500</u>	<u>4,500</u>
Total public safety	<u>7,377,475</u>	<u>7,221,784</u>	<u>155,691</u>

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, 2011

	2011		Variance
	Budget	Actual	Positive (Negative)
Expenditures - continued:			
<b>Central service:</b>			
General:			
Other operating expenditures		456,640	
Capital outlay		38,750	
Total	524,071	495,390	28,681
Public buildings:			
Salaries and employee benefits		502,414	
Other operating expenditures		737,967	
Capital outlay		108,640	
Total	1,419,852	1,349,022	70,830
Total central service	1,943,923	1,844,412	99,511
<b>Economic and physical development:</b>			
Industry grants		512,807	
Contributions to nonprofits		81,500	
Region N-council of government		27,301	
SEDC		3,960	
Total	840,910	625,568	215,342
Co-op extension:			
Salaries and employee benefits		200	
Other operating expenditures		139,871	
Total	191,069	140,071	50,998
Soil and water conservation:			
Salaries and employee benefits		96,006	
Other operating expenditures		1,379	
Total	113,628	97,385	16,243
Total economic & physical development	1,145,607	863,024	282,583

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, 2011

	2011		Variance Positive (Negative)
	Budget	Actual	
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		8,097	
Scots for youth - CBA		315,031	
Historic Properties		18,000	
Total other expenditures	237,097	341,128	(104,031)
<b>Human services:</b>			
Health:			
Administration:			
Salaries and employee benefits		790,613	
Other operating expenditures		59,771	
Capital outlay		29,610	
Total	949,170	879,994	69,176
Tuberculosis:			
Salaries and employee benefits		12,031	
Other operating expenditures		2,781	
Total	17,664	14,812	2,852
Orthopedic		7,901	
Child health		48,164	
Primary care		81,574	
Communicable diseases		198,998	
Total	392,063	336,636	55,427
Healthy carolinians:			
Salaries and employee benefits		24,664	
Other operating expenditures		1,026	
Total	26,923	25,690	1,233
Family planning:			
Salaries and employee benefits		280,410	
Other operating expenditures		59,372	
Total	464,256	339,782	124,474

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, 2011

	2011		Variance Positive (Negative)
	Budget	Actual	
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		293,198	
Other operating expenditures		<u>55,385</u>	
Total	<u>447,201</u>	<u>348,583</u>	<u>98,618</u>
Women, infants, and children:			
Salaries and employee benefits		277,740	
Other operating expenditures		<u>31,369</u>	
Total	<u>349,042</u>	<u>309,109</u>	<u>39,933</u>
Environmental health:			
Salaries and employee benefits		178,271	
Other operating expenditures		<u>17,825</u>	
Total	<u>208,701</u>	<u>196,096</u>	<u>12,605</u>
Child services coordinator:			
Salaries and employee benefits		69,374	
Other operating expenditures		<u>3,105</u>	
Total	<u>82,703</u>	<u>72,479</u>	<u>10,224</u>
MCC	191,955	179,681	12,274
Immunization:			
Salaries and employee benefits		18,197	
Other operating expenditures		<u>2,078</u>	
Total	<u>29,245</u>	<u>20,275</u>	<u>8,970</u>
Adult health:			
Salaries and employee benefits		24,662	
Other operating expenditures		<u>27,040</u>	
Total	<u>81,523</u>	<u>51,702</u>	<u>29,821</u>

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, 2011

	2011		Variance
	Budget	Actual	Positive (Negative)
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		8,140	
Other operating expenditures		65,199	
Total	163,587	73,339	90,248
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		6,514	
Total	80,920	79,434	1,486
Total health	3,484,953	2,927,613	557,340
Social services:			
Administration:			
Salaries and employee benefits		4,387,456	
Other operating expenditures		4,536,165	
Total	9,500,366	8,923,621	576,745
Transportation:			
Salaries and employee benefits		347,803	
Other operating expenditures		96,013	
Capital outlay		23,022	
Total	602,180	466,838	135,342
Total social services	10,102,546	9,390,459	712,087

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, 2011

	2011		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		45,301	
Other operating expenditures		<u>18,752</u>	
Total	66,528	64,052	2,476
Total human services	13,654,027	12,382,124	1,271,903
<b>Cultural and recreational:</b>			
Recreation:			
Salaries and employee benefits		352,823	
Other operating expenditures		<u>265,270</u>	
Total	789,505	618,093	171,412
Libraries:			
Salaries and employee benefits		249,490	
Other operating expenditures		<u>166,145</u>	
Total	483,904	415,636	68,268
Total cultural and recreational	1,273,409	1,033,729	239,680

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, 2011

	2011		Variance
	Budget	Actual	Positive (Negative)
Expenditures - continued:			
<b>Education:</b>			
Public schools - current expense		10,688,920	
Public schools - lottery-capital outlay		659,453	
Fines and forfeitures		289,612	
Contributions of capital		579,500	
Community colleges - current		225,768	
Total education	12,719,188	12,443,253	275,935
<b>Debt service:</b>			
Principal retirement		1,671,269	
Interest and fees, other		342,208	
Total debt service	2,013,481	2,013,478	3
Total expenditures	42,670,379	40,187,054	2,483,325
Revenues (under) expenditures	(1,806,153)	(2,383,659)	(577,506)

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, 2011

	2011		Variance
	Budget	Actual	Positive (Negative)
Other financing sources (uses):			
Operating transfers to other funds:			
Special revenue funds revaluation	(50,000)	(50,000)	-
Capital projects	-	121,598	(121,598)
Total other financing sources (uses)	(50,000)	71,598	121,598
Appropriated fund balance	1,856,153	-	(1,856,153)
Revenues, other sources and appropriated fund balance (under) expenditures and other uses	-	(2,312,061)	(2,312,061)
Fund balances:			
Beginning of year, July 1		7,426,601	
End of year, June 30		5,114,540	

Scotland County, North Carolina  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

	Special Revenue Funds						Capital Project Funds						Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	Library Services Fund	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Community Development Block Grant	Community Development Block Grant NCFHA	Total Special Revenue Funds	Spec Building Project Fund	Youth Center Task Force Fund	Wagram Recreation Center Fund	School Capital Projects Fund	Total Nonmajor Capital Project Funds		
<b>Assets</b>														
Cash and cash equivalents	158,672	570,693	9,900	1,085,147	-	3,379	1,827,791	-	-	16,554	1,012,317	1,028,871	2,856,662	
Other assets	-	1,011	-	-	-	-	1,011	-	-	-	-	37,246	1,011	
Due from other governments	-	-	9,900	1,085,147	-	3,379	1,828,802	-	-	53,800	1,012,317	1,066,117	37,246	
<b>Total assets</b>	<b>158,672</b>	<b>571,704</b>	<b>9,900</b>	<b>1,085,147</b>	<b>-</b>	<b>3,379</b>	<b>1,828,802</b>	<b>-</b>	<b>-</b>	<b>53,800</b>	<b>1,012,317</b>	<b>1,066,117</b>	<b>2,894,919</b>	
<b>Liabilities &amp; fund balances</b>														
<b>Liabilities:</b>														
Accounts payable & accrued liabilities	-	-	6,854	-	-	3,379	10,233	-	-	41,748	-	41,748	51,981	
Interfund payables	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>6,854</b>	<b>-</b>	<b>-</b>	<b>3,379</b>	<b>10,233</b>	<b>-</b>	<b>-</b>	<b>41,748</b>	<b>-</b>	<b>41,748</b>	<b>51,981</b>	
<b>Fund balances:</b>														
<b>Restricted:</b>														
Stabilization by State Statute	-	1,011	-	-	-	-	1,011	-	-	37,246	-	37,246	38,257	
Fire Protection	-	570,693	-	-	-	-	570,693	-	-	-	-	-	570,693	
School Capital	-	-	-	-	-	-	-	-	-	1,012,317	1,012,317	-	1,012,317	
Emergency Telephone	-	-	-	816,456	-	-	816,456	-	-	-	-	-	816,456	
<b>Committed:</b>														
Revaluation	-	-	3,046	-	-	-	3,046	-	-	(25,194)	-	(25,194)	3,046	
Unassigned	158,672	571,704	3,046	268,691	-	-	427,363	-	-	12,052	1,012,317	1,024,369	402,169	
<b>Total fund balances</b>	<b>158,672</b>	<b>571,704</b>	<b>3,046</b>	<b>1,085,147</b>	<b>-</b>	<b>-</b>	<b>1,818,569</b>	<b>-</b>	<b>-</b>	<b>53,800</b>	<b>1,012,317</b>	<b>1,024,369</b>	<b>2,842,938</b>	
<b>Total liabilities and fund balances</b>	<b>158,672</b>	<b>571,704</b>	<b>9,900</b>	<b>1,085,147</b>	<b>-</b>	<b>3,379</b>	<b>1,828,802</b>	<b>-</b>	<b>-</b>	<b>53,800</b>	<b>1,012,317</b>	<b>1,066,117</b>	<b>2,894,919</b>	

Scotland County, North Carolina  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2011

	Special Revenue Funds							Capital Project Funds					Total Nonmajor Governmental Funds
	Library Services Fund	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Community Development Block Grant	Community Development Block Grant NCFHA	Total Nonmajor Special Revenue Funds	Spec Building Project Fund	Youth Center Task Force Fund	Wagram Recreation Center Fund	School Capital Projects Fund	Total Nonmajor Project Funds	
<b>Revenues:</b>													
Ad valorem taxes	-	226,197	-	-	-	-	226,197	-	-	-	-	-	226,197
Other taxes, licenses & fees	-	1,033	-	268,147	-	-	269,180	-	-	-	-	-	269,180
Sales tax	-	54,995	-	-	-	-	54,995	-	-	-	-	-	54,995
Resurficed intergovernmental	-	25,000	-	-	163,496	393,860	582,356	-	-	487,246	-	487,246	1,069,602
Investment earnings	-	6,785	-	-	-	-	6,785	-	-	-	-	-	6,785
<b>Total revenues</b>	-	314,010	-	268,147	163,496	393,860	1,139,513	-	-	487,246	-	487,246	1,626,759
<b>Expenditures:</b>													
Revaluation	-	-	175,143	-	-	-	175,143	-	-	-	-	-	175,143
Public safety	-	245,780	-	268,641	-	-	514,421	-	-	-	-	-	514,421
Cultural and recreational	-	-	-	-	-	-	-	-	-	568,773	-	568,773	568,773
Economic and physical development	-	-	-	-	163,496	393,860	557,356	-	-	-	-	-	557,356
Capital outlay	60,422	-	-	-	-	-	60,422	-	-	1,987,683	-	1,987,683	2,048,105
<b>Total expenditures</b>	60,422	245,780	175,143	268,641	163,496	393,860	1,307,342	-	-	568,773	1,987,683	2,556,456	3,863,798
<b>Revenues (under) expenditures</b>	(60,422)	68,230	(175,143)	(494)	-	-	(167,829)	-	-	(81,527)	(1,987,683)	(2,069,210)	(2,237,039)
<b>Other financing sources and uses:</b>													
Operating transfers	-	-	50,000	-	-	-	50,000	(112,598)	(9,000)	-	-	(121,598)	(71,598)
Installation purchase obligations issued	-	-	-	-	-	-	-	(112,598)	(9,000)	-	-	(121,598)	(234,196)
<b>Total other financing sources</b>	-	-	50,000	-	-	-	50,000	(112,598)	(9,000)	-	-	(121,598)	(234,196)
<b>Net change in fund balances</b>	(60,422)	68,230	(125,143)	(494)	-	-	(117,829)	(112,598)	(9,000)	(81,527)	1,012,317	809,192	691,363
<b>Fund balances - beginning</b>	219,094	503,474	128,189	1,085,640	-	-	1,936,397	112,598	9,000	93,580	-	215,178	2,151,575
<b>Fund balances - ending</b>	158,672	571,704	3,046	1,085,146	-	-	1,818,568	-	-	12,053	1,012,317	1,024,370	2,842,938

Scotland County, North Carolina  
**Library Services Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
For the Fiscal Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
State shared revenue	<u>78,559</u>	-	<u>(78,559)</u>
Total revenues	78,559	-	(78,559)
Expenditures:			
Equipment	<u>78,559</u>	<u>60,422</u>	<u>18,137</u>
Total expenditures	78,559	60,422	18,137
Revenues (under) expenditures	-	(60,422)	(60,422)
Net change in fund balances	<u>-</u>	(60,422)	<u>(60,422)</u>
Fund balances - beginning		<u>219,094</u>	
Fund balances - ending		<u>158,672</u>	

Scotland County, North Carolina  
**Fire Service District Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
For the Fiscal Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	210,763	226,197	15,434
Other taxes, licenses & fees	5,737	1,033	(4,704)
Sales tax	55,000	54,995	(5)
Restricted intergovernmental	25,000	25,000	-
Investment earnings	<u>2,500</u>	<u>6,785</u>	<u>4,285</u>
Total revenues	299,000	314,010	15,010
Expenditures:			
Public safety	<u>299,000</u>	<u>245,780</u>	<u>53,220</u>
Total expenditures	299,000	245,780	53,220
Revenues over expenditures	<u>-</u>	68,230	<u>68,230</u>
Fund balances - beginning		<u>503,474</u>	
Fund balances - ending		<u>571,704</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Revaluation	<u>231,748</u>	<u>175,143</u>	<u>56,605</u>
Revenues over (under) expenditures	<u>(231,748)</u>	<u>(175,143)</u>	<u>56,605</u>
Other financing sources:			
Transfers:			
General Fund	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>(181,748)</u>	<u>(125,143)</u>	<u>56,605</u>
Appropriated fund balance	<u>181,748</u>	<u>-</u>	<u>(181,748)</u>
Revenues, other sources, and appropriated fund balance (under) expenditures	<u>-</u>	<u>(125,143)</u>	<u>(125,143)</u>
Fund balances - beginning		<u>128,189</u>	
Fund balances - ending		<u>3,046</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, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Other taxes, licenses & fees	268,147	268,147	-
Other grants	650,000	-	(650,000)
Interest	<u>13,000</u>	<u>-</u>	<u>(13,000)</u>
Total revenues	931,147	268,147	(663,000)
Expenditures:			
Public safety	<u>1,151,505</u>	<u>268,641</u>	<u>882,864</u>
Total expenditures	1,151,505	268,641	882,864
Revenues over (under) expenditures	(220,358)	(494)	219,864
Appropriated fund balance	<u>220,358</u>	<u>-</u>	<u>(220,358)</u>
Revenues and appropriated fund balance (under) expenditures	<u>-</u>	(494)	<u>(494)</u>
Fund balances - beginning		<u>1,085,640</u>	
Fund balances - ending		<u>1,085,146</u>	

Scotland County, North Carolina  
**Community Development Block Grant**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
For the Fiscal Year Ended June 30, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental	400,000	163,496	(236,504)
Total revenues	400,000	163,496	(236,504)
Expenditures:			
Economic & physical development	400,000	163,496	236,504
Total expenditures	400,000	163,496	236,504
Revenues over expenditures	<u>-</u>	-	<u>-</u>
Fund balances - beginning		-	
Fund balances - ending		<u>-</u>	

Scotland County, North Carolina  
**Community Development Block Grant NCFHA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
For the Fiscal Year Ended June 30, 2011

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Restricted intergovernmental	398,860	393,860	(5,000)
Total revenues	398,860	393,860	(5,000)
Expenditures:			
Economic & physical development	398,860	393,860	5,000
Total expenditures	398,860	393,860	5,000
Revenues over expenditures	<u>-</u>	-	<u>-</u>
Fund balances - beginning		<u>-</u>	
Fund balances - ending		<u>-</u>	

Scotland County, North Carolina  
**Spec Building Capital Project**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
None	-	-	-	-	-
Expenditures:					
Cultural and recreational	<u>800,000</u>	<u>720,873</u>	-	<u>720,873</u>	<u>79,127</u>
Total expenditures	800,000	720,873	-	720,873	79,127
Revenues (under) expenditures	(800,000)	(720,873)	-	(720,873)	(79,127)
Other financing sources:					
Proceeds from bonds	400,000	433,470	-	433,470	33,470
Transfers from General Fund	400,000	400,000	-	400,000	-
Transfers to General Fund	<u>-</u>	<u>-</u>	<u>(112,598)</u>	<u>(112,598)</u>	<u>(112,598)</u>
Total other financing sources	<u>800,000</u>	<u>833,470</u>	<u>(112,598)</u>	<u>720,872</u>	<u>(79,127)</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>112,598</u>	<u>(112,598)</u>	<u>-</u>	<u>-</u>
Fund balances - beginning			<u>112,598</u>		
Fund balances - ending			<u>-</u>		

Scotland County, North Carolina  
**Youth Center Task Force**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**

From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
<b>Revenues:</b>					
Restricted intergovernmental	1,820,533	1,309,503	-	1,309,503	(511,030)
Interest revenue	-	92,324	-	92,324	92,324
Other revenue	<u>100,600</u>	<u>100,810</u>	-	<u>100,810</u>	<u>210</u>
Total revenues	1,921,133	1,502,637	-	1,502,637	(418,496)
<b>Expenditures:</b>					
Cultural and recreational	2,292,936	2,364,219	-	2,364,219	(71,283)
<b>Debt service:</b>					
Principal retirement	44,367	44,367	-	44,367	-
Interest	<u>12,830</u>	<u>12,830</u>	-	<u>12,830</u>	-
Total expenditures	2,350,133	2,421,416	-	2,421,416	(71,283)
Revenues (under) expenditures	(429,000)	(918,779)	-	(918,779)	(489,779)
<b>Other financing sources (uses):</b>					
<b>Transfers from other funds:</b>					
General Fund	429,000	927,779	-	927,779	498,779
Transfers to other funds	-	-	<u>(9,000)</u>	<u>(9,000)</u>	-
Total other financing sources (uses)	429,000	927,779	(9,000)	918,779	498,779
Revenues and other sources over (under) expenditures	<u>-</u>	<u>9,000</u>	(9,000)	<u>-</u>	<u>-</u>
Fund balances - beginning			<u>9,000</u>		
Fund balances - ending			<u>-</u>		

Scotland County, North Carolina  
**Wagram Recreation Center**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	500,000	-	487,246	487,246	(12,754)
Total revenues	500,000	-	487,246	487,246	(12,754)
Expenditures:					
Cultural and recreational	1,350,000	406,421	568,773	975,194	374,806
Total expenditures	1,350,000	406,421	568,773	975,194	374,806
Revenues over (under) expenditures	(850,000)	(406,421)	(81,527)	(487,948)	362,052
Other financing sources:					
Installment financing	350,000	-	-	-	(350,000)
Transfers from:					
General Fund	500,000	500,000	-	500,000	-
Total other financing sources	850,000	500,000	-	500,000	(350,000)
Revenues and other sources over (under) expenditures	-	93,579	(81,527)	12,052	12,052
Fund balances - beginning			93,579		
Fund balances - ending			12,052		

Scotland County, North Carolina  
**School Capital Projects**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**

From Inception and for the Fiscal Year Ended June 30, 2011

	Project Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures:					
Wagram Educational Building	<u>3,000,000</u>	-	<u>1,987,683</u>	<u>1,987,683</u>	<u>1,012,317</u>
Total expenditures	3,000,000	-	1,987,683	1,987,683	1,012,317
Revenues over (under) expenditures	<u>(3,000,000)</u>	-	<u>(1,987,683)</u>	<u>(1,987,683)</u>	<u>1,012,317</u>
Other financing sources:					
Installment financing	<u>3,000,000</u>	-	<u>3,000,000</u>	<u>3,000,000</u>	-
Total other financing sources	3,000,000	-	3,000,000	3,000,000	-
Revenues and other sources over expenditures	<u>-</u>	<u>-</u>	<u>1,012,317</u>	<u>1,012,317</u>	<u>1,012,317</u>
Fund balances - beginning			-		
Fund balances - ending			<u>1,012,317</u>		

Scotland County, North Carolina  
**Public Works**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
For the Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		1,414,983	
Other operating revenues		173,835	
Total operating revenues	2,253,420	1,588,818	(664,602)
Expenditures:			
Operating expenses:			
Salaries & employee benefits		504,384	
Supplies		16,447	
Repairs & maintenance		72,865	
Contracted services		40,439	
Waste disposal		665,407	
Other operating expenditures		220,343	
Total operating expenses	2,130,820	1,519,884	610,937
Debt service:			
Interest		6,900	
Debt principal		77,743	
Total	84,643	84,643	-
Capital outlays			
Equipment - vehicle	37,957	37,957	-
Total expenditures	2,253,420	1,642,484	610,936
Revenues (under) expenditures	-	(53,666)	(53,666)
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Debt principal		77,743	
Capital outlays		37,957	
Depreciation		(91,046)	
(Increase) in accrued vacation		(113)	
(Increase) in accrued landfill closure and postclosure costs		(45,717)	
Increase in accrued OPEB liability		(34,718)	
Total reconciling items		(55,894)	
Net (loss)		(109,560)	

Scotland County, North Carolina  
**Water District Phase I Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		546,787	
Water taps		500	
Total operating revenues	540,413	547,287	6,874
Expenditures:			
Operating expenses:			
Salaries and employee benefits		63,321	
Water purchases		192,360	
Other operating expenditures		105,516	
Total operating expenses	414,322	361,196	53,126
Debt service:			
Principal retirement		37,000	
Interest		89,091	
Total	126,091	126,091	-
Total expenditures	540,413	487,287	53,126
Revenues over expenditures	<u>-</u>	60,000	<u>60,000</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Principal payment		37,000	
Depreciation		(113,236)	
Bad debts		(133,570)	
Decrease in accrued vacation		199	
Total reconciling items		(209,607)	
Net (loss)		<u>(149,607)</u>	

Scotland County, North Carolina  
**Water District Phase II Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
For the Year Ended June 30, 2011

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		357,446	
Sewer fees		116,347	
Water taps		<u>2,325</u>	
Total operating revenues	500,237	476,118	(24,119)
Expenditures:			
Operating expenses:			
Water purchases		127,366	
Water operations		<u>65,337</u>	
Total operating expenses	221,900	192,703	29,197
Debt service:			
Debt principal		71,000	
Interest		<u>207,336</u>	
Total	278,337	278,336	1
Total expenditures	500,237	471,040	29,197
Revenues over expenditures	<u>-</u>	5,079	<u>5,079</u>
<b>Reconciliation from budgetary basis</b>			
<b>(modified accrual) to full accrual:</b>			
Reconciling items:			
Principal payments		71,000	
Bad debts		(131,052)	
Depreciation		<u>(183,736)</u>	
Total reconciling items		(243,788)	
Change in net assets		<u>(238,709)</u>	

**OTHER SCHEDULES**

Scotland County, North Carolina  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Social Services</b>				
Assets:				
Cash & cash equivalents	39,164	202,633	217,642	24,156
Liabilities:				
Miscellaneous liabilities	39,164	202,633	217,642	24,156
<b>Fines and Forfeitures</b>				
Assets:				
Cash & cash equivalents	14,083	595,104	588,892	20,295
Liabilities:				
Intergovernmental payable	-	289,612	289,612	-
Other tax	9,185	273,329	269,498	13,016
Intergovernmental payable NC Division of Motor Vehicles	4,898	32,163	29,782	7,279
Total liabilities	14,083	595,104	588,892	20,295
<b>Motor Vehicle Tax</b>				
Assets:				
Cash & cash equivalents	84,280	364,087	335,438	112,930
Liabilities:				
Miscellaneous liabilities	84,280	364,087	335,438	112,930
<b>Inmate Trust Fund</b>				
Assets:				
Cash	41,649	105,004	105,004	41,649
Liabilities:				
Inmate funds	41,649	105,004	105,004	41,649
<b>Tourism Development Fund</b>				
Assets:				
Cash	154,815	314,134	269,453	199,495
Liabilities:				
Miscellaneous liabilities	154,815	314,134	269,453	199,495

Scotland County, North Carolina  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>Scotland Economic Development</b>				
Assets:				
Cash	420,158	32,000	30,491	421,667
Liabilities:				
Miscellaneous liabilities	420,158	32,000	30,491	421,667
<b>Totals - All Agency Funds</b>				
Assets:				
Cash & cash equivalents	754,149	1,612,962	1,546,920	820,191
Liabilities:				
Miscellaneous liabilities	749,251	1,580,799	1,517,138	812,912
Intergovernmental payable				
NC Division of Motor Vehicles	4,898	32,163	29,782	7,279
Total liabilities	754,149	1,612,962	1,546,920	820,191

Scotland County, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2011

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2010</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2011</u>
2010-2011	\$ -	\$ 20,201,575	\$ 18,739,768	\$ 1,461,807
2009-2010	\$ 1,535,048	\$ -	\$ 806,455	\$ 728,593
2008-2009	\$ 663,068	\$ -	\$ 186,497	\$ 476,571
2007-2008	\$ 438,941	\$ -	\$ 72,772	\$ 366,169
2006-2007	\$ 339,631	\$ -	\$ 51,524	\$ 288,107
2005-2006	\$ 294,739	\$ -	\$ 33,319	\$ 261,420
2004-2005	\$ 216,876	\$ -	\$ 15,525	\$ 201,351
2003-2004	\$ 167,991	\$ -	\$ 10,368	\$ 157,623
2002-2003	\$ 143,335	\$ -	\$ 5,841	\$ 137,494
2001-2002	\$ 122,341	\$ -	\$ 7,200	\$ 115,141
2000-2001	\$ 128,583	\$ -	\$ 11,389	\$ 117,194
Total	\$ 4,050,553	\$ 20,201,575	\$ 19,940,658	\$ 4,311,470
				Less allowance for uncollectible accounts
				\$ (234,015)
				Ad valorem taxes receivable - net
				\$ 4,077,455
<u>Reconciliation with revenues:</u>				
Ad valorem taxes				\$ 19,460,076
Penalties collected on ad valorem taxes - agency				\$ 431,411
Reconciling items:				
Interest collected				\$ (259,396)
Priors year's penalties & advertising collected				\$ (402)
Discounts				\$ 84,705
Taxes released				\$ 42,541
Discovery fees				\$ 181,723
Total reconciling items				\$ 49,171
Total collections and credits				<u>\$ 19,940,658</u>

Scotland County, North Carolina  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Fiscal Year Ended June 30, 2011

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	1,774,263,620	\$1.02	18,097,489	18,097,489	-
Property taxed at current year's rate	194,061,760	\$1.02	1,979,430	-	1,979,430
Penalties & advertising	-		210,668	210,668	-
Total	<u>1,968,325,380</u>		<u>20,287,587</u>	<u>18,308,157</u>	<u>1,979,430</u>
Abatements	<u>(8,340,780)</u>		<u>(86,012)</u>	<u>(37,775)</u>	<u>(48,237)</u>
Total property valuations	<u>1,959,984,600</u>				
Net levy			20,201,575	18,270,382	1,931,193
Uncollected taxes at June 30, 2011			<u>1,461,807</u>	<u>988,948</u>	<u>472,859</u>
Current year's taxes collected			<u>18,739,768</u>	<u>17,281,434</u>	<u>1,458,334</u>
Current year collection percentage			92.76%	94.59%	75.51%

Scotland County, North Carolina  
 Analysis of Current Tax Levy  
 County-wide Levy  
 For the Fiscal Year Ended June 30, 2011

Secondary market disclosures:

Assessed valuation:

Assessment ratio <sup>1</sup>	100%
Real property	\$ 1,378,172,341
Personal property	507,361,041
Public service companies <sup>2</sup>	<u>74,451,218</u>
Total assessed valuation	1,959,984,600
Tax rate per \$100	1.02
Levy (includes discoveries, releases and abatements) <sup>3</sup>	\$ 19,990,907

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	\$ 221,668
Total	<u>\$ 221,668</u>

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

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

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

Scotland County, North Carolina  
 Ten Largest Taxpayers  
 For the Fiscal Year Ended June 30, 2011

<u>Taxpayer</u>	<u>Type of Business</u>	2011 <u>Assessed Valuation</u>	Percentage of Total <u>Assessed Valuation</u>
Pilkington North America	Glass Production	\$ 116,745,913	5.96%
Kordsa	Rubber-Cord	39,737,572	2.03%
Carrolls Realty	Farming	37,181,193	1.90%
FCC North Carolina, Inc.	Automotive Suppliers	30,539,278	1.56%
WP Properties	Distribution	25,243,399	1.29%
QualPack, LLC	Pharmaceutical	22,444,385	1.15%
Progress Energy Carolinas	Utilities	21,811,925	1.11%
Bell South Long Distance, Inc.	Utilities	18,826,100	0.96%
Umicore	Brake Shoes	17,167,747	0.88%
Butler Manufacturing	Industrial	<u>16,185,473</u>	<u>0.83%</u>
Total		<u>\$ 345,882,985</u>	<u>17.67%</u>

**COMPLIANCE SECTION**

## **Gustaf C. Lundin & Company, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

FAX 910-276-1995

MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

CHARLES D. SMITH, CPA

GUSTAF C. LUNDIN 1895-1981  
LLOYD W. MCCOY 1913-1987  
THOMAS G. POE 1930-1991

### **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**

To the Board of County Commissioners  
Scotland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of Scotland County, North Carolina, as of and for the year ended June 30, 2011, which collectively comprises Scotland County's basic financial statements, and have issued our report thereon dated November 10, 2011. We did not audit the financial statements of the Scotland County ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Scotland County ABC Board, is based solely on the reports 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 Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Scotland County ABC Board were not audited in accordance with Government Auditing Standards.

#### Internal Control Over Financial Reporting

Management of Scotland County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Scotland County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scotland County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the following deficiency described in the accompanying schedule of findings and responses to be a material weakness. See Material Deficiency 2011-3 in the Schedule of Findings and Questioned Costs.

A significant deficiency is a deficiency or a 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. See Significant Deficiency 2011-1 and 2011-2 in the Schedule of Findings and Questioned Costs.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Scotland County's financial statements are free of 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*.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's response and accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Scotland County in a report dated November 10, 2011.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Board of County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gustaf C. Lundin & Company, LLP*  
GUSTAF C. LUNDIN & COMPANY, LLP

November 10, 2011

**Gustaf C. Lundin & Company, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

FAX 910-276-1995

MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

CHARLES D. SMITH, CPA

GUSTAF C. LUNDIN 1895-1981  
LLOYD W. MCCOY 1913-1987  
THOMAS G. POE 1930-1991

**Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
Scotland County, North Carolina

**Compliance**

We have audited the compliance of Scotland County, North Carolina, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Scotland County's major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Scotland County's management. Our responsibility is to express an opinion on Scotland County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scotland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Scotland County's compliance with those requirements.

In our opinion, Scotland County complied, in all material respects, with the 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, 2011.

**Internal Control Over Compliance**

The management of Scotland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Scotland County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular 133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the entity, members of the Board of County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

*Gustaf C. Lundin & Company, LLP*  
GUSTAF C. LUNDIN & COMPANY, LLP

November 10, 2011

## **Gustaf C. Lundin & Company, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

FAX 910-276-1995

MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

CHARLES D. SMITH, CPA

GUSTAF C. LUNDIN 1895-1981  
LLOYD W. MCCOY 1913-1987  
THOMAS G. POE 1930-1991

### **Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act**

To the Board of County Commissioners  
Scotland County, North Carolina

#### **Compliance**

We have audited the compliance of 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 its major State programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Scotland County's management. Our responsibility is to express an opinion on Scotland County's compliance based on our audit.

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; applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Scotland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Scotland County's compliance with those requirements.

In our opinion, Scotland County complied, in all material respects, with the 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, 2011.

**Internal Control Over Compliance**

Management of Scotland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Scotland County's internal control over compliance with the requirements that could have a direct and material effect on a major State program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 exist 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization, members of the Board of County Commissioners, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

*Gustaf C. Lundin & Company, LLP*  
GUSTAF C. LUNDIN & COMPANY, LLP

November 10, 2011

SCOTLAND COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011

---

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

---

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weaknesses	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
* Significant deficiencies identified that are not considered to be material weaknesses	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
---	------------------------------	--

SCOTLAND COUNTY, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended June 30, 2011

Identification of major federal programs:

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

Dollar threshold used to distinguish  
 between Type A and Type B Programs \$1,750,913

Auditee qualified as low-risk auditee? \_\_\_\_\_yes \_\_\_X\_\_\_no

State Awards

Internal control over major State programs:

\* Material weakness(es) identified? \_\_\_\_\_yes \_\_\_X\_\_\_no

\* Significant deficiencies identified  
 that are not considered to be  
 material weaknesses \_\_\_\_\_yes \_\_\_X\_\_\_none reported

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

Any audit findings disclosed that are required  
 to be reported in accordance with State  
 Single Audit Implementation Act \_\_\_\_\_yes \_\_\_X\_\_\_no

Identification of major State programs:

<u>Program Name</u>
Medicaid
Domiciliary Care
Juvenile Crime Prevention

SCOTLAND COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011

---

**Section II - Financial Statement Findings**

---

Finding: 2011-1

SIGNIFICANT DEFICIENCY

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

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

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

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

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

Finding: 2011-2

SIGNIFICANT DEFICIENCY

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

Condition: Three departments within the general fund had an excess of expenditures over budgeted amounts.

Effect: Budgetary violations occurred.

Cause: Oversight of budget to actual expenditures.

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

SCOTLAND COUNTY, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2011

---

**Section II - Financial Statement Findings**

---

Finding: 2011-3

MATERIAL DEFICIENCY

Criteria: Under the SAS No. 115 conditions necessitating the entity's auditor to provide assistance preparing the financial statements and journal entries are at least indicative of a significant deficiency.

Condition: Currently the independent accountant substantially prepares the financial statements and the schedule of expenditures of federal and state awards. In addition, the adjusted trial balance needs material journal entries during the audit.

Effect: Errors could pass through the financial statements undetected and delays in the year-end independent audit could occur.

Cause: For most of the fiscal year the county was without a full time finance officer. In addition, lack of financial statement preparation is a major cause.

Recommendation: Finance officer or accounting personnel should obtain the necessary experience to prepare the financial statements.

Views of responsible officials and planned corrective actions: The County agrees with this finding.

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

None reported.

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

None reported.

CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2011

---

**Section II - Financial Statement Findings**

---

Finding: 2011-1

Name of contact person: Charles Nichols-Finance Officer

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

Proposed Completion Date: Immediately.

Finding: 2011-2

Name of contact person: Charles Nichols-Finance Officer

Corrective Action: The County has implemented procedures to monitor expenditures and amend the budget as necessary.

Proposed Completion Date: Immediately.

Finding: 2011-3

Name of contact person: Charles Nichols-Finance Officer

Corrective Action: A full time Finance Officer has been appointed and training is ongoing for financial statement preparation.

Proposed Completion Date: At the date of this report the corrective action was implemented.

CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2011

---

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

---

None reported

---

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

---

None reported

SCOTLAND COUNTY  
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2011

Prior Year Financial Statements Findings

Finding 2010-1

Status: See current year finding 2011-1.

Finding 2010-2

Status: Cash reports have been filed on time.

Finding 2010-3

Status: A full time Finance Officer has been appointed. See current year finding 2011-3

Scotland County  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For the Year Ended June 30, 2011

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>Federal Awards:</b>					
U.S. Dept. of Agriculture					
Food and Nutrition Service					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Supplemental Nutrition Assist. Program Cluster					
State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program					
	10.561		397,657	-	374,969
ARRA-State Administrative Matching Grants for					
the Supplemental Nutrition Assistance Program					
	10.561		9,042	-	-
Supplemental Nutrition Assist. Program Cluster					
			406,699	-	374,969
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		338,213	-	-
AGRI-SFP Food Program Meal					
	10.559		173	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children					
	10.557		1,158,937	-	-
<b>Total U.S. Dept. of Agriculture</b>					
			1,904,022	-	374,969

Scotland County  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Department of Housing and Urban Development Passed-Through the NC Department of Commerce CDBG	14,218	08-c-1837	165,140	-	-
Home Investments Partnership Program Total NC Dept. of Commerce	14,239	SFR0917	393,860	-	-
			<u>559,000</u>		
US Department of Transportation Passed-Through the NC Department of Transportation Rural Operating Assistance Program (ROAP) Administrative DOT 18 Total U.S. Dept. of Transportation	20,509		117,250	11,789	-
			<u>25,000</u>		
			<u>142,250</u>	<u>11,789</u>	
U.S. Department of Health & Human Services Administration for Children and Families Passed-through the N.C. Dept. of Health and Human Services: Division of Social Services: Foster Care and Adoption Cluster (Note 2) Title IV-E Foster Care - Administration Foster Care - Direct Benefit Payments Adoption Assistance - Direct Benefit Payments Total Foster Care and Adoption (Note 2)	93,658 93,658 93,659		268,476 225,430 230,656	26,846 49,156 55,514	224,663 53,884 55,514 334,061
			<u>744,562</u>	<u>131,516</u>	

Scotland County  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Work First/TANF-Direct Benefit Payments	93.558		884,681	-	354
WF Fund Assess	93.558		5,310	-	-
IV-D Administration	93.563		574,088	-	295,742
IV-D Offset Fees	93.563		4,919	21	2,513
CSE Incentive Recovery	93.563		19,366	-	9,976
Low-Income Home Energy Assistance Block Grant: Administration	93.568		47,910	-	-
Energy Assistance Payments-Direct Benefit Payments	93.568		509,772	-	-
Crisis Intervention Program	93.568		360,306	-	-
Child Welfare Services - State Grants					
- Permanency Planning	93.645		10,087	-	3,362
Independent Living-Transitional Grant	93.674		4,624	-	-
Transitional Funds	93.674		9,643	2,411	-
Family Violence Prevention	93.671		3,286	-	-
Family Preservation	93.556		4,818	-	-
TANF Domestic Violence	93.558		18,167	-	-
Work First Admin	93.558		80,524	-	93,838
Work First Service	93.558		559,446	-	595,223
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - Other Services TRNG	93.667		161,668	21,030	60,899
SSBG - State In Home Service Fund	93.667		12,108	-	1,730
SSBG - State Adult Day Care	93.667		17,172	12,534	4,244
Division of Child Development:					
Subsidized Child Care (Note 2)					
Child Care Development Fund Cluster:					
Division of Social Services:					
Division of Child Development:					
Child Care and Development Fund - Discretionary	93.575		616,809	-	-
Child Care and Development Fund - Mandatory	93.596		287,406	-	-
Child Care and Development Fund - Match	93.596		329,497	178,884	-
Total Child Care Development Fund Cluster			1,233,712	178,884	-

Scotland County  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Social Services Block Grant					
TANF	93.667		6,835	-	-
ARRA-Emergency Contingency Fund for TANF	93.558		232,245	-	-
State Programs					
TANF MOE	93.714		93,173	-	-
Total Subsidized Child Care (Note 2)			1,565,965	176,213	-
				355,097	-
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Health:					
Direct Benefit Payments:					
Medical Assistance Program	93.778		49,250,484	19,397,338	24,536
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		589,810	51,875	518,000
State Children's Insurance Program - N.C. Health Choice	93.767		17,228	1,914	3,713
<u>Centers for Disease Control and Prevention</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health					
Health Resources and Services Administration					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services	93.218		61,858	-	-
Immunization Grants	93.268		10,304	-	-
Prevention Investigations and Technical Assistance	93.283		69,052	-	-
TANF	93.558		9,283	-	-
Maternal and Child Health Services Block Grant	93.994		80,462	60,353	-
<u>Office of Population Affairs</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Office of Population Affairs					
Family Planning Services	93.217		61,858	-	-
Total U.S. Dept. of Health and Human Services			55,758,481	20,034,089	1,948,191
Total Federal Awards			58,363,753	20,045,878	2,323,160

Scotland County  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For the Year Ended June 30, 2011

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>State Awards:</b>					
N.C. Dept. of Cultural Resources			-	113,648	-
Division of State Library			-	113,648	-
State Aid to Public Libraries					
Total N.C. Dept. of Cultural Resources			-	459,096	459,096
<b>N.C. Dept. of Health and Human Services</b>					
Division of Aging and Adult Services					
Division of Social Services					
State/County Special Assistance for Adults - Domiciliary Care			-	-	-
<b>Division of Social Services:</b>					
CWS Adopt Subsidy & Vendor			-	151,490	21,040
State Foster Home			-	61,847	61,847
SFHF Maximization			-	63,569	63,318
F/C At Risk Maximization			-	(1,098)	(232)
DCD Smart Start			-	16,000	-
AFDC Incentive			-	2,827	-
Allocating County Cost			-	-	20,000
State Aid to Counties			-	-	37,347
Energy Assst. Private Grants			-	1,033	-
Total Division of Social Services			-	754,764	662,416
<b>Division of Public Health:</b>					
General			-	132,965	-
Minority Health			-	26,787	-
Communicable Disease			-	7,855	-
Tuberculosis			-	13,023	-
AIDS			-	500	-
Maternal Health			-	1,966	-
Womens Preventive Health			-	15,457	-
Total Division of Public Health			-	198,553	-

Scotland County  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2011

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct &) Pass-through Expenditures	State Expenditures	Local Expenditures
Dept. of Juvenile Justice and Delinquency Prevention Juvenile Crime Prevention Programs			-	323,128	-
N.C. Dept. of Transportation Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program			-	72,695	-
- ROAP Rural General Public Program			-	77,031	-
- ROAP Work First Transitional - Employment Transportation Assistance Program			-	38,558	-
Total ROAP			-	188,284	-
N.C. Dept. of Corrections Criminal Justice Partnership Program			-	153,850	-
Total State Awards			-	1,732,227	662,416
Total Federal and State Awards			58,363,753	21,778,105	2,985,576

Scotland County  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2011

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

1. Basis of Presentation  
 The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Scotland County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

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

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

Program Title	State Expenditures
Juvenile Family Alternatives (JCPC)	8,097
Scots for Youth (Juvenile Justice)	315,031

