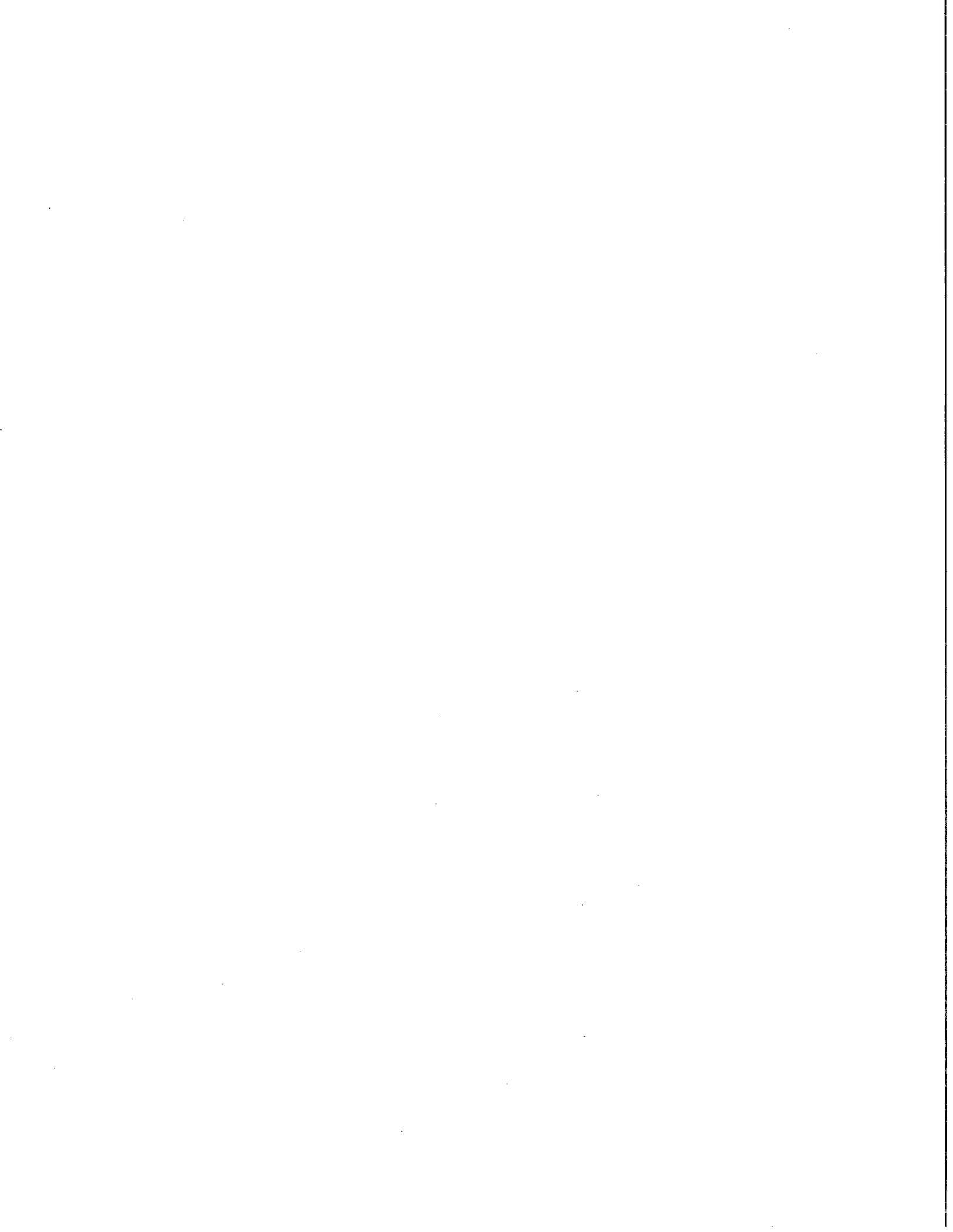


Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2017



SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Guy McCook, Commissioner

Carol H. McCall, Chair

John T. Alford, Commissioner

Betty Blue Gholston, Commissioner

Robert C. Davis, Commissioner

Whit Gibson, Vice Chair

Clarence McPhatter, II, Commissioner

COUNTY OFFICIALS

Kevin G. Patterson, Interim Clerk to Board

Kevin G. Patterson, County Manager

Edward H. Johnston, Jr., County Attorney

Page Pratt, Register of Deeds

Mary Helen Norton, Tax Administrator

Beth Hobbs, Finance Officer

Scotland County, North Carolina
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June 30, 2017

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FINANCIAL SECTION



Roche, Head & Associates, PLLC

• CERTIFIED PUBLIC ACCOUNTANTS •

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise Scotland County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Scotland County ABC Board which represents 9.4 percent, 7.62 percent, and 51.62 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Scotland County ABC Board is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Scotland County ABC Board, the Scotland County Tourism Development Authority, the Scotland County Historic Properties Commission, and the Scotland County Economic Development Corporation were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits Schedules of Funding Progress and Employer Contributions on pages 66 and 67, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, pages 68 and 69, and the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 70 and 71, the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, pages 72 and 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Scotland County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018, on our consideration of Scotland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scotland County's internal control over financial reporting and compliance.

Roche, Head & Associates, PLLC
ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

January 26, 2018

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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

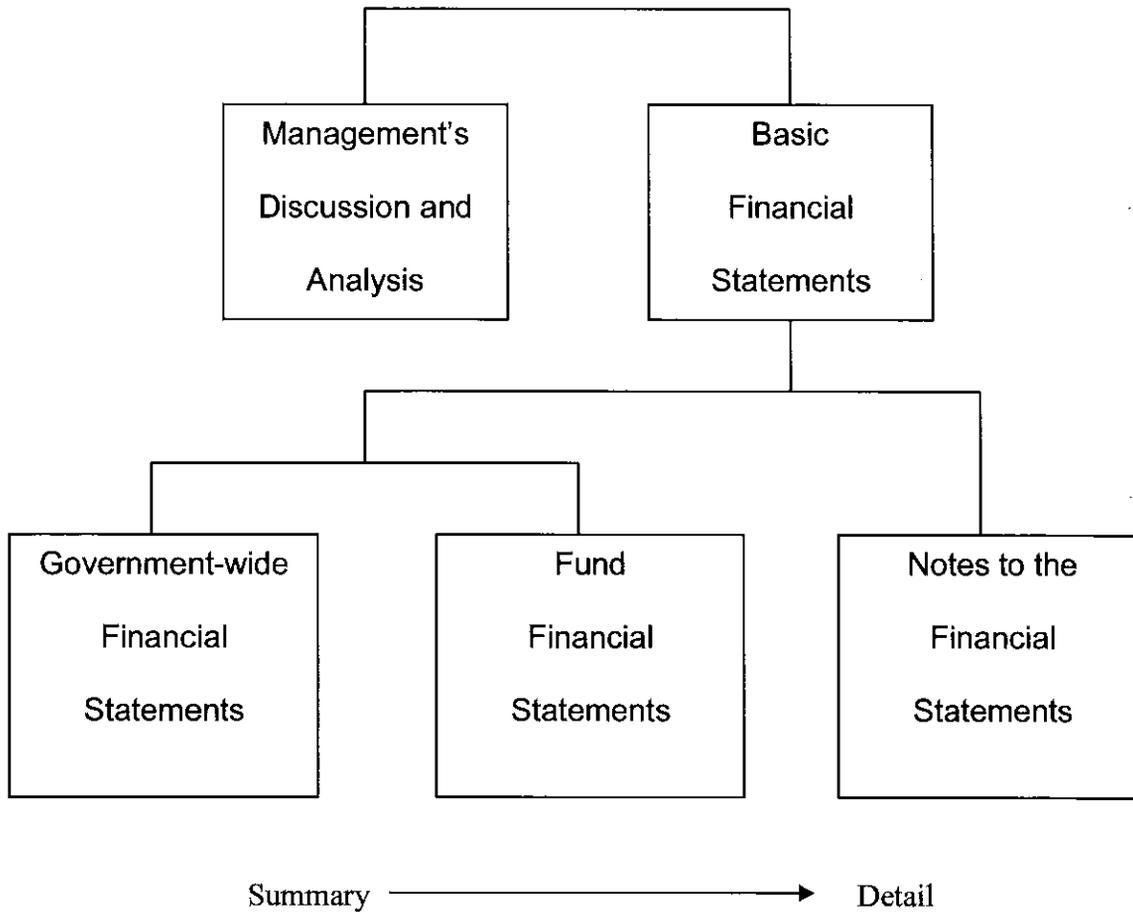
- The assets and deferred outflows of resources of Scotland County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,111,842 (*net position, exhibit 1*).
- The government's total net position increased by \$1,858,067 primarily due to increased tax collections, grant revenues and management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$15,201,894 (*exhibit 3*) an increase of \$1,315,358 in comparison with the prior year. Approximately 64.73 percent of this total amount, or \$9,839,717 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,839,717 or 24.83 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the water and sewer and landfill services offered by Scotland County. Scotland County Water Districts I and II (the Districts) exist to provide and maintain water systems for the County residents within the district. The Districts are reported as an enterprise fund in the County's financial statements.

The final category is the component units. Scotland County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. Scotland County Historic Properties Commission and Scotland County Tourism Development Authority are legally separate entities from the County. However, the County appoints members to each of these Boards. Scotland County ABC Board is legally separate from the County, however the County is financially accountable for the board by appointing its members. Also, the ABC Board is required to distribute its profits to the County.

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

Fund Financial Statements

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

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

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

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Scotland County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 66 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$15,111,842 as of June 30, 2017. The County's net position increased by \$1,858,067 for the fiscal year ended June 30, 2017. One of the largest portions \$11,314,112, 74.87% reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Scotland County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Scotland County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Scotland County's net position \$4,212,469 27.88% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(414,739) (2.74)% is unrestricted.

Scotland County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 19,452,300	\$ 18,070,834	\$ 1,569,699	\$ 1,473,594	\$ 21,021,999	\$ 19,544,428
Capital assets	9,778,180	9,617,221	8,423,431	8,347,775	18,201,611	17,964,996
Total assets	<u>29,230,480</u>	<u>27,688,055</u>	<u>9,993,130</u>	<u>9,821,369</u>	<u>39,223,610</u>	<u>37,509,424</u>
Total deferred outflows of resources	3,245,836	805,317	133,244	33,023	3,379,080	838,340
Long-term liabilities outstanding	17,479,564	14,816,044	8,190,399	8,130,575	25,669,963	22,946,619
Other liabilities	1,464,751	1,105,821	156,558	124,105	1,621,309	1,229,926
Total liabilities	<u>18,944,315</u>	<u>15,921,865</u>	<u>8,346,957</u>	<u>8,254,680</u>	<u>27,291,272</u>	<u>24,176,545</u>
Total deferred inflows of resources	193,659	473,384	5,917	17,253	199,576	490,637
Net position:						
Net investment in capital assets	8,728,181	9,190,429	2,585,931	2,369,275	11,314,112	11,559,704
Restricted	4,212,469	4,016,258	-	-	4,212,469	4,016,258
Unrestricted	397,692	(1,108,564)	(812,431)	(786,815)	(414,739)	(1,895,379)
Total net position	<u>\$ 13,338,342</u>	<u>\$ 12,098,123</u>	<u>\$ 1,773,500</u>	<u>\$ 1,582,460</u>	<u>\$ 15,111,842</u>	<u>\$ 13,680,583</u>

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

- Continued diligence in the collection of property taxes by keeping our collection percentage around 96.07% and striving to improve collectability.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

SCOTLAND COUNTY'S CHANGES IN NET POSITION

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,109,020	\$ 3,098,443	\$ 3,424,929	\$ 3,563,473	\$ 6,533,949	\$ 6,661,916
Operating grants and contributions	8,408,980	8,984,777	-	-	8,408,980	8,984,777
General revenues:						
Property taxes	22,827,743	22,488,520	-	-	22,827,743	22,488,520
Local option sales tax	7,087,327	6,056,018	-	-	7,087,327	6,056,018
Other taxes	439,871	475,315	-	-	439,871	475,315
Interest investment earnings	82,666	48,727	-	-	82,666	48,727
Other	534,157	380,122	-	-	534,157	380,122
Total revenues	42,489,764	41,531,922	3,424,929	3,563,473	45,914,693	45,095,395
Expenses:						
General government	2,567,947	2,453,502	-	-	2,567,947	2,453,502
Public safety	9,080,503	8,928,374	-	-	9,080,503	8,928,374
Economic and physical development	2,254,488	2,537,358	-	-	2,254,488	2,537,358
Central services	1,813,340	1,828,247	-	-	1,813,340	1,828,247
Human services	11,967,803	11,475,008	-	-	11,967,803	11,475,008
Cultural and recreation	1,471,247	1,381,755	-	-	1,471,247	1,381,755
Education	11,498,581	12,000,626	-	-	11,498,581	12,000,626
Interest on long-term debt	168,828	202,273	-	-	168,828	202,273
Public Works-Solid waste	-	-	1,650,224	1,749,705	1,650,224	1,749,705
Water district I	-	-	905,818	669,717	905,818	669,717
Water district II	-	-	677,847	625,658	677,847	625,658
Total expenses	40,822,737	40,807,143	3,233,889	3,045,080	44,056,626	43,852,223
Increase in net position before transfers	1,667,027	724,779	191,040	518,393	1,858,067	1,243,172
Transfers	-	-	-	-	-	-
Increase in net position	1,667,027	724,779	191,040	518,393	1,858,067	1,243,172
Net position, beginning, previously reported	12,098,123	11,373,344	1,582,460	1,064,067	13,680,583	12,437,411
Net position, beginning, restated	11,671,315	-	1,582,460	-	13,253,775	-
Net position ending	\$ 13,338,342	\$ 12,098,123	\$ 1,773,500	\$ 1,582,460	\$ 15,111,842	\$ 13,680,583

Governmental activities. Governmental activities increased the County's net position by \$1,667,027. The increase was due to increased tax collections and controlled expenditures.

Business-type activities: Business-type activities increased Scotland County's net position by \$191,040. The Proprietary Funds had an increase in net position primarily due to increased fees in all of the enterprise funds.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Scotland County. At the end of the current fiscal year Scotland County's fund balance available in the General Fund was \$10,479,717, while total fund balance reached \$13,026,983. The Governing Body of Scotland County has determined that the County should maintain an available fund balance of 15% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 26.30% of general fund expenditures, while total fund balance represents 32.88% of that same amount.

At June 30, 2017, the governmental funds of Scotland County reported a combined fund balance of \$15,201,894 a 9.5 percent increase over last year. The primary reason for the increase is increase in grant and tax revenues and an overall strategy to reduce expenditures.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted revenues by \$1,986,920.

Proprietary Funds. Scotland County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Public Works-Solid Waste Fund at the end of the fiscal year amounted to \$(2,083,411) and those for the Water District I Fund equaled \$863,305, and those for the Water District II Fund equaled \$407,675. The total change in net position for these funds was \$206,334, \$(185,878) and \$170,584, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of Scotland County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Scotland County's capital assets for its governmental and business-type activities as of June 30, 2017 totals \$18,201,611 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of water tank improvements.
- Purchase of roll off truck for solid waste fund.
- Purchase of vehicles and equipment for sheriff and EMS.
- Purchase of scanning software for DSS.

SCOTLAND COUNTY'S CAPITAL ASSETS
(net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 42,542	\$ 42,542	\$ 314,334	\$ 314,334	\$ 356,876	\$ 356,876
Construction in progress	30,219	-	283,437	-	313,656	-
Buildings and system	6,295,122	6,689,902	7,297,871	7,598,546	13,592,993	14,288,448
Machinery and equipment	1,248,674	1,421,966	28,158	6,086	1,276,832	1,428,052
Vehicles and motorized equipment	2,161,623	1,462,811	499,631	428,809	2,661,254	1,891,620
Total	\$ 9,778,180	\$ 9,617,221	\$ 8,423,431	\$ 8,347,775	\$ 18,201,611	\$ 17,964,996

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, 2017 Scotland County had total bonded debt outstanding of \$8,450,501 all of which is debt backed by the full faith and credit of the County.

Scotland County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 2,613,000	\$ 3,594,000	\$ 5,837,501	\$ 5,978,501	\$ 8,450,501	\$ 9,572,501
Installment purchases	2,249,998	2,590,715	-	-	2,249,998	2,590,715
Compensated absences	859,485	916,709	34,227	40,190	893,712	956,899
Net pension liability (LGRS)	3,621,960	753,069	150,914	31,377	3,772,874	784,446
Total pension liability (LEO)	627,701	156,942	-	-	627,701	156,942
OPEB	7,507,420	6,804,609	261,132	234,710	7,768,552	7,039,319
Total	\$ 17,479,564	\$ 14,816,044	\$ 6,283,774	\$ 6,284,778	\$ 23,763,338	\$ 21,100,822

Scotland County's General obligation and installment debt decreased by \$340,717 during the past fiscal year, due to payments on debt.

Currently, Scotland County has an A2 bond rating from Moody's Investor Service and an A+ rating from Standard and Poor's Corporation.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Scotland County is \$171,824,623.

Additional information regarding Scotland County's long-term debt can be found in Note 7a. beginning on Page 60 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

- The County's unemployment rate of 7.6% is higher than the State average of 4.5% as of July 2017. However, this is a reduction from last year's unemployment rates of 9.0% for the County and 5.0% for the State.
- While one industry, Butler Manufacturing, closed in October 2017 several industries made investments in the County.

Industry	Investment (in Millions)	Jobs Created
Mountaire	\$44	65
Edward Wood Products	\$30 (over 3 years) \$50 (over 5 years)	46 91
FCC	\$1	28

- The County is expected to benefit from \$1.5 million from a Rural Infrastructure Grant for utilities and roadway construction for the new Scotland County Economic Development Incubator Park. The City of Laurinburg will be the recipient of the funds.
- A grant in the amount of \$1.35 million is expected from Community Development Block Grant (CDBG) to assist with improvements to the Laurinburg Maxton Airport Commission (LMAC) railway. This railway improvement will help Mountaire as well as potential growth for future industries.
- A grant in the amount of \$750,000 from NC Railroad is also expected to help assist with the railway improvements at LMAC.
- A grant from NC Department of Transportation in the amount of \$162,000 is anticipated and will be used to assist with the road crossing improvements at the LMAC railway.
- A grant from NC Department of Transportation in the amount of \$1,290,803 is anticipated and will be used to assist CSX with improving their rail with connection to LMAC lead track.

Budget Highlights for the Fiscal Year Ending June 30, 2018

Governmental Activities: Property taxes are expected to decrease to \$1.01 per \$100 valuation. The Fire Service tax is expected to remain at \$0.05 per \$100 valuation for properties outside the corporate limits of Wagram, Gibson, and Laurinburg.

Budgeted expenditures in the General Fund are expected to decrease approximately 1% to \$40,229,076. The largest increments are in employee compensation, including funding compensation and benefits adjustments.

Business-type Activities: The water and sewer rates in the County will remain constant for fiscal year 2018.

An availability fee of \$55 and \$85 for the City and County residents, respectively, will remain constant for FY 2018. The revenues from these fees will be used to cover costs associated with the future closing of the landfill and with equipment purchases necessary to operate the landfill.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Beth Hobbs, Finance Officer, Scotland County, PO Box 489, Laurinburg, NC 28353-0489. You may also call 910-277-2406, visit our website at www.scotlandcounty.org or send an email to bhobbs@scotlandcounty.org for more information.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Scotland County, North Carolina
Statement of Net Position
June 30, 2017

	Primary Government			Component Units			
	Governmental Activities	Business- type Activities	Total	Scotland County ABC Board	Scotland Co.	Scotland Co.	Scotland Co.
					Historic Properties Commission	Tourism Development Authority	Economic Development Corporation
ASSETS							
Cash and cash equivalents	12,424,167	1,283,790	13,707,957	214,135	28,198	184,976	339,245
Inventory	-	-	-	150,816	-	-	-
Receivables (net):							
Taxes	2,691,310	-	2,691,310	-	-	94,643	-
Accounts	200,834	148,401	349,235	-	-	-	1,234
Due from other governments	2,419,448	137,508	2,556,956	-	-	-	-
Due (to) from other funds	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	371,308
Prepaid expenses	31,894	-	31,894	1,966	-	1,817	-
Restricted cash	1,626,957	-	1,626,957	-	30,663	-	25,906
Net pension asset	57,689	-	57,689	-	-	-	-
Capital assets:							
Land, improvements and construction in progress	72,761	597,771	670,532	19,000	291,053	-	-
Other capital assets, net of depreciation	9,705,419	7,825,660	17,531,079	153,915	365,030	-	3,462,700
Total capital assets	9,778,180	8,423,431	18,201,611	172,915	656,083	-	3,462,700
Total assets	29,230,480	9,993,130	39,223,610	539,832	714,944	281,436	4,200,393
DEFERRED OUTFLOWS OF RESOURCES	3,245,836	133,244	3,379,080	45,471	-	-	-
LIABILITIES							
Accounts payable and accrued liabilities	1,464,751	156,558	1,621,309	190,417	3,950	13,399	24,164
Long-term liabilities:							
Net pension liability-LGERS	3,621,960	150,915	3,772,875	48,601	-	-	-
Net pension liability-LEO	627,701	-	627,701	-	-	-	-
Due within one year	1,310,948	146,500	1,457,448	-	-	-	-
Due in more than one year	11,918,955	7,892,984	19,811,939	-	-	-	972,717
Total long-term liabilities	17,479,564	8,190,399	25,669,963	48,601	-	-	972,717
Total liabilities	18,944,315	8,346,957	27,291,272	239,018	3,950	13,399	996,881
DEFERRED INFLOWS OF RESOURCES							
Prepaid taxes	36,656	-	36,656	-	-	-	-
Prepaid contributions	-	-	-	-	1,400	-	2,800
Pension deferrals	157,003	5,917	162,920	1,703	-	-	-
Total deferred inflows of resources	193,659	5,917	199,576	1,703	1,400	-	2,800
NET POSITION							
Net investment in capital assets	8,728,181	2,585,931	11,314,112	172,915	656,083	-	3,462,700
Restricted for:							
Fire protection	1,399,673	-	1,399,673	-	-	-	-
Emergency telephone	207,173	-	207,173	-	-	-	-
Cultural and recreation	-	-	-	-	30,663	-	-
Economic development	-	-	-	-	-	-	25,906
Stabilization by State statute	2,605,623	-	2,605,623	-	-	94,645	-
Working capital	-	-	-	62,054	-	-	-
Unrestricted	397,692	(812,431)	(414,739)	109,613	22,848	173,392	(287,894)
Total net position	<u>\$ 13,338,342</u>	<u>\$ 1,773,500</u>	<u>\$ 15,111,842</u>	<u>\$ 344,582</u>	<u>\$ 709,594</u>	<u>\$ 268,037</u>	<u>\$ 3,200,712</u>

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

Scotland County, North Carolina
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position							
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Primary Government			Component Units				
					Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission	Scotland County Tourism Development Authority	Scotland County Economic Development Corporation	
Primary government:												
Governmental activities:												
General government	2,567,947	557,050	-	-	(2,010,897)	-	(2,010,897)	-	-	-	-	-
Public safety	9,080,503	1,770,313	-	-	(7,310,190)	-	(7,310,190)	-	-	-	-	-
Economic and physical development	2,254,488	-	553,840	-	(1,700,648)	-	(1,700,648)	-	-	-	-	-
Central service	1,813,340	-	-	-	(1,813,340)	-	(1,813,340)	-	-	-	-	-
Human services	11,967,803	257,849	7,855,140	-	(3,854,814)	-	(3,854,814)	-	-	-	-	-
Cultural and recreational	1,471,247	123,808	-	-	(1,347,439)	-	(1,347,439)	-	-	-	-	-
Education	11,498,581	400,000	-	-	(11,098,581)	-	(11,098,581)	-	-	-	-	-
Interest on long-term debt	168,828	-	-	-	(168,828)	-	(168,828)	-	-	-	-	-
Total governmental activities	40,822,737	3,109,020	8,408,980	-	(29,304,737)	-	(29,304,737)	-	-	-	-	-
Business-type activities:												
Public Works	1,650,224	1,856,558	-	-	-	206,334	206,334	-	-	-	-	-
Water District Phase I	905,818	719,940	-	-	-	(185,878)	(185,878)	-	-	-	-	-
Water District Phase II	677,847	848,431	-	-	-	170,584	170,584	-	-	-	-	-
	3,233,889	3,424,929	-	-	-	191,040	191,040	-	-	-	-	-
Component units:												
ABC Board	1,594,187	1,613,428	-	-	-	-	-	19,241	-	-	-	-
Historic Properties	61,746	30,425	7,500	-	-	-	-	-	(23,821)	-	-	-
Scotland County Tourism Development	319,840	-	-	-	-	-	-	-	-	(319,840)	-	-
Scotland County Economic Development Co.	253,182	83,259	-	778,102	-	-	-	-	-	-	-	608,179
Total component units	2,228,955	1,727,112	7,500	778,102	-	-	-	19,241	(23,821)	(319,840)	-	608,179

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, 2017

	Net (Expense) Revenue and Changes in Net Position						
	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission	Scotland County Tourism Development Authority	Scotland County Economic Development Corporation
General revenues:							
Taxes:							
Property taxes, levied for general purpose	\$22,827,743	\$ -	\$ 22,827,743	\$ -	\$ -	\$ -	\$ -
Local option sales tax	7,087,327	-	7,087,327	-	-	363,128	-
Other taxes and licenses	439,871	-	439,871	-	-	-	-
Investment earnings, unrestricted	82,666	-	82,666	38	274	-	533
Miscellaneous, unrestricted	534,157	-	534,157	-	5,839	-	242,866
Total general revenues, special items, and transfers	30,971,764	-	30,971,764	38	6,113	363,128	243,399
Change in net position	1,667,027	191,040	1,858,067	19,279	(17,708)	43,288	851,578
Net position, beginning, previously reported	12,098,123	1,582,460	13,680,583	344,582	727,303	224,749	2,349,134
Restatement	(426,808)	-	(426,808)	(19,279)	-	-	-
Net position, beginning, restated	11,671,315	1,582,460	13,253,775	325,303	727,303	224,749	2,349,134
Net position-ending	\$13,338,342	\$ 1,773,500	\$ 15,111,842	\$ 344,582	\$ 709,594	\$ 268,037	\$3,200,712

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, 2017

Exhibit 3

	Major	Non-Major	
	General	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$11,916,133	\$ 508,034	\$12,424,167
Restricted cash	-	1,626,957	1,626,957
Receivables (net)			
Taxes	2,628,263	63,047	2,691,310
Accounts	200,834	-	200,834
Prepaid expense	27,178	4,716	31,894
Due from other governments	2,133,975	285,473	2,419,448
Due from other funds	185,279	(185,279)	-
Total assets	<u>\$17,091,662</u>	<u>\$ 2,302,948</u>	<u>\$19,394,610</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	1,399,760	64,990	1,464,750
Total liabilities	<u>1,399,760</u>	<u>64,990</u>	<u>1,464,750</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	2,628,263	63,047	2,691,310
Prepaid taxes	36,656	-	36,656
Total deferred inflows of resources	<u>2,664,919</u>	<u>63,047</u>	<u>2,727,966</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	27,178	4,716	31,894
Restricted:			
Stabilization by State statute	2,520,088	85,535	2,605,623
Fire protection	-	1,399,673	1,399,673
Emergency telephone	-	207,173	207,173
Committed:			
Tax revaluation	-	363,034	363,034
Assigned:			
Capital outlay	-	145,000	145,000
Subsequent year's appropriation	640,000	-	640,000
Unassigned:			
Total fund balances	<u>9,839,717</u>	<u>(30,220)</u>	<u>9,809,497</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$17,091,662</u>	<u>\$ 2,302,948</u>	<u>15,201,894</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:			
Total fund balance, governmental funds			15,201,894
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,778,180
Net pension asset			57,689
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position			3,215,938
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position			29,898
Net pension liability-LGERS			(3,621,960)
Total pension liability-LEO			(627,701)
Deferred inflows of resources for taxes and special assessments receivable.			2,691,310
Pension related deferrals			(157,003)
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.			<u>(13,229,903)</u>
Net position of governmental activities			<u>\$13,338,342</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 Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major	Non-Major	Total
	General Fund	Other Governmental Funds	
REVENUES			
Ad valorem taxes	\$ 22,474,465	\$ 617,757	\$ 23,092,222
Local option sales taxes	6,777,386	309,941	7,087,327
Other taxes and licenses	57,621	299,249	356,870
Unrestricted intergovernmental	220,149	-	220,149
Restricted intergovernmental	8,298,727	-	8,298,727
Permits and fees	403,718	-	403,718
Sales and services	2,108,382	-	2,108,382
Investment earnings	75,655	7,011	82,666
Fines, forfeitures	153,332	-	153,332
Grants	-	553,840	553,840
Miscellaneous	397,007	-	397,007
Total revenues	<u>40,966,442</u>	<u>1,787,798</u>	<u>42,754,240</u>
EXPENDITURES			
Current:			
General government	2,388,158	-	2,388,158
Public safety	8,105,126	621,760	8,726,886
Economic & physical development	1,339,410	-	1,339,410
Central service	1,725,213	-	1,725,213
Human services	11,733,322	-	11,733,322
Cultural and recreational	1,150,594	-	1,150,594
Other expenditures	198,297	553,840	752,137
Intergovernmental:			
Education	11,498,581	-	11,498,581
Capital outlay	-	634,037	634,037
Debt service:			
Principal retirement	1,321,717	-	1,321,717
Interest	168,828	-	168,828
Total expenditures	<u>39,629,246</u>	<u>1,809,637</u>	<u>41,438,883</u>
Excess of revenues over (under) expenditures	1,337,196	(21,839)	1,315,357
OTHER FINANCING SOURCES (USES)			
Transfers (to) other funds	(220,000)	220,000	-
Total other financing sources (uses)	<u>(220,000)</u>	<u>220,000</u>	<u>-</u>
Net change in fund balance	1,117,197	198,161	1,315,358
Fund balances - beginning	<u>11,909,786</u>	<u>1,976,750</u>	<u>13,886,536</u>
Fund balances - ending	<u>\$ 13,026,983</u>	<u>\$ 2,174,911</u>	<u>\$ 15,201,894</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 Balances
Governmental Funds
For the Year Ended June 30, 2017

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

Net changes in fund balances - total governmental funds	\$ 1,315,358
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.	169,475
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(8,515)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	815,333
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	29,898
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(221,938)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,321,717
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>(1,754,301)</u>
Total changes in net position of governmental activities	<u>\$ 1,667,027</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 Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 22,205,419	\$ 22,612,694	\$ 22,474,465	\$ (138,229)
Local option sales taxes	6,145,620	6,654,898	6,777,386	122,488
Other taxes and licenses	60,000	60,000	57,621	(2,379)
Unrestricted intergovernmental	175,000	201,864	220,149	18,285
Restricted intergovernmental	8,355,290	9,436,478	8,298,727	(1,137,751)
Permits and fees	402,735	400,255	403,718	3,463
Sales and services	1,635,251	2,073,102	2,108,382	35,280
Investment earnings	20,000	72,075	75,655	3,580
Fines, forfeitures	175,000	175,000	153,332	(21,668)
Miscellaneous	819,852	294,721	397,008	102,287
Total revenues	<u>39,994,167</u>	<u>41,981,087</u>	<u>40,966,443</u>	<u>(1,014,644)</u>
Expenditures:				
Current:				
General government	2,728,888	3,415,597	2,388,158	1,027,439
Public safety	8,551,744	8,627,623	8,105,126	522,497
Economic and physical development	1,105,165	1,464,509	1,339,410	125,099
Central services	1,955,380	1,983,125	1,725,213	257,912
Human services	11,496,035	12,618,847	11,733,322	885,525
Cultural and recreational	1,211,757	1,260,698	1,150,594	110,104
Other expenditures	170,332	198,297	198,297	-
Intergovernmental:				
Education	11,528,101	11,662,176	11,498,581	163,595
Debt service:				
Principal retirement	1,321,717	1,397,489	1,321,717	75,772
Interest	228,893	168,828	168,828	-
Total expenditures	<u>40,298,012</u>	<u>42,797,189</u>	<u>39,629,246</u>	<u>3,167,943</u>
Excess of revenues over (under) expenditures	(303,845)	(816,102)	1,337,197	2,153,299
Other financing sources (uses):				
Transfers (to) other funds	(75,000)	(220,000)	(220,000)	-
Total other financing sources (uses)	<u>(75,000)</u>	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>
Appropriated fund balance	378,845	1,036,102	-	(1,036,102)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,117,197	<u>\$ 1,117,197</u>
Fund balances - beginning			11,909,786	
Fund balances - ending			<u>\$ 13,026,983</u>	

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

Scotland County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2017

	Enterprise Funds			
	Public Works Fund	Blended Component Units		Total
		Water District I Fund	Water District II Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 123,190	\$ 792,212	\$ 368,388	\$ 1,283,790
Accounts receivable, net	51,618	57,142	39,641	148,401
Due from other governments	24,863	59,481	53,164	137,508
Total current assets	<u>199,671</u>	<u>908,835</u>	<u>461,193</u>	<u>1,569,699</u>
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	314,334	227,996	55,441	597,771
Other capital assets, net of depreciation	624,453	2,179,525	5,021,682	7,825,660
Total capital assets	<u>938,787</u>	<u>2,407,521</u>	<u>5,077,123</u>	<u>8,423,431</u>
Total assets	<u>1,138,458</u>	<u>3,316,356</u>	<u>5,538,316</u>	<u>9,993,130</u>
Deferred outflows of resources				
pension deferrals	99,933	33,311	-	133,244
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	71,366	31,674	53,518	156,558
General obligation bonds payable	-	51,500	95,000	146,500
Total current liabilities	<u>71,366</u>	<u>83,174</u>	<u>148,518</u>	<u>303,058</u>
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,906,626	-	-	1,906,626
Other post employment benefits	257,609	3,523	-	261,132
Compensated absences payable	29,790	4,436	-	34,226
Net pension liability	113,186	37,729	-	150,915
General obligation bonds payable	-	1,477,500	4,213,500	5,691,000
Total noncurrent liabilities	<u>2,307,211</u>	<u>1,523,188</u>	<u>4,213,500</u>	<u>8,043,899</u>
Total liabilities	<u>2,378,577</u>	<u>1,606,362</u>	<u>4,362,018</u>	<u>8,346,957</u>
Deferred inflows of resources				
pension deferrals	4,438	1,479	-	5,917
NET POSITION				
Net investment in capital assets	938,787	878,521	768,623	2,585,931
Unrestricted	<u>(2,083,411)</u>	<u>863,305</u>	<u>407,675</u>	<u>(812,431)</u>
Total net position	<u>\$ (1,144,624)</u>	<u>\$ 1,741,826</u>	<u>\$ 1,176,298</u>	<u>\$ 1,773,500</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District I Fund	Water District II Fund	
Operating revenues:				
Charges for services	\$ 759,507	\$ 719,940	\$ 635,388	\$ 2,114,835
Availability fees	983,639	-	-	983,639
Other operating revenues	16,889	-	-	16,889
Total operating revenues	<u>1,760,035</u>	<u>719,940</u>	<u>635,388</u>	<u>3,115,363</u>
Operating expenses:				
Water purchases	-	293,831	219,861	513,692
Water operations	-	207,921	87,229	295,150
Landfill operations	1,477,499	-	-	1,477,499
Landfill closure and postclosure care costs	60,829	-	-	60,829
Depreciation	111,896	114,095	183,736	409,727
Total operating expenses	<u>1,650,224</u>	<u>615,847</u>	<u>490,826</u>	<u>2,756,897</u>
Operating income	109,811	104,093	144,562	358,466
Nonoperating revenues (expenses):				
Solid waste disposal tax	15,286	-	-	-
Scrap tire disposal tax	47,960	-	-	-
White goods disposal tax	14,085	-	-	-
Surplus property	19,192	-	-	-
Interest	-	(76,928)	(187,021)	(263,949)
Total nonoperating revenues (expenses)	<u>96,523</u>	<u>(76,928)</u>	<u>(187,021)</u>	<u>(167,426)</u>
Income (loss) before transfers	206,334	27,165	(42,459)	191,040
Transfers (to) from other funds	-	(213,043)	213,043	-
Change in net position	206,334	(185,878)	170,584	191,040
Net position - beginning	<u>(1,350,958)</u>	<u>1,927,704</u>	<u>1,005,714</u>	<u>1,582,460</u>
Net position - ending	<u>\$ (1,144,624)</u>	<u>\$ 1,741,826</u>	<u>\$ 1,176,298</u>	<u>\$ 1,773,500</u>

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

Scotland County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities Enterprise Funds			Totals
	Public Works Fund	Water District I Fund	Water District II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,861,513	\$ 714,100	\$ 633,506	\$ 3,209,119
Cash paid for goods and services	(903,557)	(451,948)	(253,569)	(1,609,074)
Cash paid to or on behalf of employees for services	(512,090)	(40,616)	-	(552,706)
Net cash provided by operating activities	445,866	221,536	379,937	1,047,339
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (out) in	-	(213,043)	213,043	-
(Decrease) (from) other funds	(121,124)	-	-	(121,124)
Total cash flows provided by (used in) financing activities	(121,124)	(213,043)	213,043	(121,124)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(201,946)	(227,996)	(55,441)	(485,383)
Interest paid on bond maturities and equipment contracts	-	(76,928)	(187,021)	(263,949)
Principal paid on bond maturities and equipment contracts	-	(49,000)	(92,000)	(141,000)
Net cash (used in) capital and related financing activities	(201,946)	(353,924)	(334,462)	(890,332)
Net increase (decrease) in cash and cash equivalents	122,796	(345,431)	258,518	35,883
Balances - beginning of the year	394	1,137,643	109,870	1,247,907
Balances - end of the year	<u>\$ 123,190</u>	<u>\$ 792,212</u>	<u>\$ 368,388</u>	<u>\$ 1,283,790</u>

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

Scotland County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities Enterprise Funds			Totals
	Public Works Fund	Water District I Fund	Water District II Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 109,811	\$ 104,093	\$ 144,562	\$ 358,466
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	111,896	114,095	183,736	409,727
Provision for uncollectible accounts	(2,717)	426	(487)	(2,778)
Landfill closure and postclosure care costs	60,829	-	-	60,829
Changes in assets, liabilities and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	60,838	(6,266)	(1,392)	53,180
Decrease in prepaid items	10,500	-	-	10,500
Decrease in deferred outflows of resources - pensions	(75,166)	(25,055)	-	(100,221)
Increase in net pension liability	89,653	29,885	-	119,538
(Decrease) in deferred inflows of resources - pensions	(8,502)	(2,834)	-	(11,336)
Increase in accounts payable and accrued liabilities	71,571	3,887	53,518	128,976
(Decrease) in accrued vacation pay	(5,746)	(218)	-	(5,964)
Increase in OPEB payable	22,899	3,523	-	26,422
Total adjustment	336,055	117,443	235,375	688,873
Net cash provided by operating activities	<u>\$ 445,866</u>	<u>\$ 221,536</u>	<u>\$ 379,937</u>	<u>\$ 1,047,339</u>

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

Scotland County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 284,045</u>
Liabilities	
Miscellaneous liabilities	<u>\$ 284,045</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, 2017

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Scotland County Water District I	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Scotland County Water District II	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Scotland County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Scotland County Historic Properties Commission	Discrete	The County's governing board appoints the members of the commission and has the ability to impose its will on the organization.	Scotland County Historic Properties Commission c/o Mr. Philip McRae, Treasurer P. O. Box 152 Laurinburg, NC 28353-0152
Scotland County ABC Board	Discrete	The members of the ABC Boards' governing board are appointed by the County. The ABC Board is required by State Statute to distribute its surpluses to the General Fund of the County.	Scotland County ABC Board 224 Lauchwood Drive Laurinburg, NC 28352
Scotland County Tourism Development Authority	Discrete	The County's governing board appoints the members of the authority and the ability to impose its will on the organization.	Scotland County TDA 507 W. Covington Street Laurinburg, NC 28352 Cory Hughes, Executive Director
Scotland County Economic Development Corporation	Discrete	The County's governing board appoints the members of the authority and the ability to impose its will on the organization.	Scotland County Economic Development Corporation 16800-A US Hwy. 401 Bypass Laurinburg, NC 28352

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, result from non-exchange transactions. Other nonoperating items such as investment earnings are ancillary activities.

The County reports the following major governmental fund:

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

The County reports the following major enterprise funds:

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

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

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

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Scotland County Board of Education; the Motor Vehicle Tax Fund, which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County, but that are not revenues to the County; the Inmate Trust Fund, which accounts for funds deposited by individuals to an incarcerated inmate's account and are disbursed at the discretion of the inmate; the Tourism Development Authority Fund, which accounts for funds collected and disbursed for room occupancy tax, which is a legislatively enacted tax, and is used for tourism; the Parks and Recreation Fund, which accounts for refundable deposits collected for the rental of various parks and recreation facilities; the Concealed Weapons Fee Fund, which accounts for the State's portion of concealed carry permits charged and collected by the County, but that are not revenues to the County; the Register of Deeds Fund, which accounts for fees collected for deed services; and is remitted to the State treasurer on a monthly basis; the Library Fund, which accounts for funds that were attached to the library when it was a separate entity from the County. These funds are not considered County revenues and are expended on items that benefit the library outside the scope of normal operating parameters.

Nonmajor Funds. The County maintains six legally budgeted funds. Fire Service District Fund, Revaluation Fund, Emergency Telephone System Fund, and North Carolina Housing Finance Agency Fund are reported as nonmajor special revenue funds. The Morgan Center Project Fund and the Radio Tower Project Fund are reported as capital project funds.

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

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

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

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as beer and wine tax, collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Emergency Telephone, Fire District, and Revaluation Special Revenue Funds, and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund, the Capital Projects Fund, and the Enterprise Capital Projects Funds. The Enterprise Capital Projects Funds are consolidated with the enterprise operating funds for reporting purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County, the ABC Board, the Tourism Development Authority, the Economic Development Corporation, and the Historic Properties Commission to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, (NCCMT).

The majority of the County, the ABC Board, the Tourism Development Authority, the Economic Development Corporation, and the Historic Properties Commission's investments are carried at fair value. The securities of the NCCMT Government Portfolio, a SEC-registered 2a-7 external investment pool, are measured at amortized cost, 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 considered cash and cash equivalents. The ABC Board, Scotland County Tourism Development Authority, Scotland County Economic Development Corporation, and Scotland County Historic Properties Commission consider demand deposits and investments with a maturity date of three months or less, at the time of purchase, to be cash and cash equivalents.

2.a Restricted Assets

Cash in the nonmajor special revenue and capital project governmental funds is restricted to that purpose for which the fund was established. See Page 86 for restricted purposes.

Scotland County Restricted Cash

Governmental Activities:	
Fire Service District Fund	1,419,784
Emergency Telephone Fund	<u>207,173</u>
Total Restricted Cash	<u>1,626,957</u>

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2016. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

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

5. Inventories and Prepaid Items

The inventories of the ABC Board are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the ABC Board consists of material and supplies held for consumption or resale. The cost of the inventory carried in the ABC Board is recorded as an expense as it is consumed or sold.

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

6. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: Land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; and computer software and computer equipment, \$5,000. 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.

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

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

	<u>Years</u>
Buildings	20
Improvements	20
Furniture and equipment	10
Vehicles	5
Computer software	5
Computer equipment	3

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

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

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

	<u>Years</u>
Buildings	50
Improvements	30
Equipment and furniture	10
Vehicles	6
Computer Equipment	3

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criterion – pension related deferrals and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The County has three items that meet the criterion for this category – prepaid taxes, property taxes receivable, and other pension related deferrals.

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position.

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

9. Compensated Absences

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

The sick leave policies of the County and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the County nor the ABC Board has any obligation for accumulated sick leave until it is actually taken, no accruals for sick leave have been made.

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Restricted for Fire Protection and Rehabilitation - portion of fund balance that is restricted by revenue source for fire protection and rehabilitation services.

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

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

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

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

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

Scotland County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures. Any portion of the General Fund balance in excess of 24% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

11. Defined Benefit Pension Plans

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

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$(1,863,552) consists of the following:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 21,022,978
Less accumulated depreciation	<u>(11,244,798)</u>
Net capital assets	9,778,180
Net pension asset	57,689
Contributions to the pension plan in the current fiscal year	3,215,938
Benefit payments and pension administration costs for LEO	29,898
Deferred inflows of resources reported in the government-wide statements but not the fund statements	
Deferred inflows of resources for taxes and special assessments receivable	2,691,310
Pension related deferrals	(157,003)
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	(4,862,998)
Compensated absences	(859,485)
Other post-employment benefits	(7,507,420)
Net pension liability	<u>(4,249,661)</u>
Total adjustment	\$ <u>(1,863,552)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. Total adjustment of \$351,668 is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities.	\$ 1,227,155
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.	(1,057,680)
Cost of capital asset disposed of during the year, not recognized on modified accrual.	(8,515)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Position in the government-wide statements.	1,321,717
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	815,333
Benefit payments and pension administration costs for LEO	29,898
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Compensated absences	57,223
Other postemployment benefits	(702,811)
Pension expense	(1,066,172)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	
Decrease in deferred inflows of resources - taxes receivable - at year end	(264,480)
Total adjustment	<u>\$ 351,668</u>

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2017, expenditures made in Water District II Fund exceeded the authorized appropriations made by the governing board. Management and the board will more closely review the budget reports to ensure compliance in future years. See significant deficiency 2017-001 on Page 113.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, the Historic Properties Commission's, the Tourism Development Authority's, the Economic Development Corporation's and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Historic Properties Commission's, the Tourism Development Authority's, the Economic Development Corporation's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Historic Properties Commission, the Tourism Development Authority, the Economic Development Corporation, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

The State Treasurer does not confirm this information with the County, the Historic Properties Commission, the ABC Board, the Tourism Development Authority, the Economic Development Corporation or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Historic Properties Commission, the ABC Board, the Tourism Development Authority or the Economic Development Corporation under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County, the Historic Properties Commission, the ABC Board, the Tourism Development Authority and the Economic Development Corporation have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2017, the County's deposits had a carrying amount of \$792,920 and a bank balance of \$1,268,531. Of the bank balance \$250,000 was covered by federal depository insurance, and \$576,080 in non-interest bearing deposits and \$442,451 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2017, Scotland County had \$2,745 cash on hand.

At June 30, 2017, the carrying amount of deposits for Scotland County ABC Board was \$211,905 and the bank balance was \$227,513. All of the bank balance was covered by federal depository insurance.

At June 30, 2017, the carrying amount of deposits for Scotland Co. Historic Properties Comm. was \$56,461 and the bank balance was \$56,649. All of the bank balance was covered by federal depository insurance.

At June 30, 2016, the carrying amount of deposits for Scotland Co. Tourism Dev. Authority was \$184,976 and the bank balance was \$184,976. All of the bank balance was covered by federal depository insurance.

At June 30, 2017, the carrying amount of deposits for Scotland Co. Economic Dev. Corporation was \$365,151 and the bank balance was \$365,151. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2017, the County had the following investments and maturities:

Investment By Type	Valuation Measurement Method	Fair Value	Less than 6 Months	Rating
NC Capital Management Trust-Government Portfolio	Amortized Cost	12,798,681	N/A	AAAm
NC Capital Management Trust-Term Portfolio*	Fair Value Level 1	2,027,358	2,027,358	Unrated
Total:		\$ 14,826,039	\$ 2,027,358	

*Because the NC Capital Management Trust Term Portfolio has a weighted average maturity of less than 90 days, it was presented as an investment with a maturity of less than 6 months.

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The County has no policy on interest rate risk.

Credit Risk. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poors as of June 30, 2017. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County has no policy on credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no policy on custodial credit risk.

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

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

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

<u>Tax Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2014	823,779	195,647	1,019,426
2015	836,695	123,412	960,107
2016	826,735	47,537	874,272
2017	806,413	-	806,413
Totals	3,293,622	366,596	3,660,218

4. Receivables

Receivables at the government-wide level at June 30, 2017, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from other Governments	Total
Governmental activities:				
General	\$ 200,834	\$ 2,766,591	\$ 2,133,975	\$ 5,101,400
Other governmental	-	63,047	285,473	348,520
Total receivables	200,834	2,829,638	2,419,448	5,449,920
Allowance for doubtful accounts	-	(138,328)	-	(138,328)
Total - governmental activities	<u>\$ 200,834</u>	<u>\$ 2,691,310</u>	<u>\$ 2,419,448</u>	<u>\$ 5,311,592</u>
Business-type activities:				
Public works	\$ 54,335	\$ -	\$ 24,863	\$ 79,198
Water district I	64,205	-	59,481	123,686
Water district II	44,540	-	53,164	97,704
Total receivables	163,080	-	137,508	300,588
Allowance for doubtful accounts	(14,679)	-	-	(14,679)
Total - business-type activities	<u>\$ 148,401</u>	<u>\$ -</u>	<u>\$ 137,508</u>	<u>\$ 285,909</u>

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

Local option sales tax/sales tax refunds	\$ 2,452,166
Due from local government/City of Laurinburg	104,790
	<u>\$ 2,556,956</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,542	\$ -	\$ -	\$ 42,542
Construction in progress	-	30,219	-	30,219
Total capital assets not being depreciated	42,542	30,219	-	72,761
Capital assets being depreciated:				
Buildings & improvements	12,188,297	100,987	-	12,289,284
Equipment and furniture	3,016,181	85,137	382,448	2,718,870
Vehicles and motorized equipment	5,050,858	1,010,811	119,606	5,942,063
Total capital assets being depreciated	20,255,336	1,196,935	502,054	20,950,217
Less accumulated depreciation for:				
Buildings & improvements	5,498,395	495,767	-	5,994,162
Equipment and furniture	1,594,215	258,430	382,449	1,470,196
Vehicles and motorized equipment	3,588,047	303,483	111,090	3,780,440
Total accumulated depreciation	10,680,657	1,057,680	493,539	11,244,798
Total capital assets being depreciated, net	9,574,679			9,705,419
Governmental activity capital assets, net	<u>\$ 9,617,221</u>			<u>\$ 9,778,180</u>

Primary Government

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

General government	\$ 147,215
Public safety	529,803
Central service	65,748
Human services	157,202
Economic and physical development	781
Cultural and recreational	156,931
Total depreciation expense	<u>\$ 1,057,680</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Landfill				
Capital assets not being depreciated:				
Land	\$ 314,334	\$ -	\$ -	\$ 314,334
Capital assets being depreciated:				
Buildings	867,187	-	-	867,187
Improvements	344,366	7,500	-	351,866
Equipment and furniture	37,163	30,280	-	67,443
Vehicles and motorized equipment	1,615,408	164,166	52,544	1,727,030
Total capital assets being depreciated	<u>2,864,124</u>	<u>201,946</u>	<u>52,544</u>	<u>3,013,526</u>
Less accumulated depreciation for:				
Buildings	850,359	4,939	-	855,298
Improvements	255,600	6,264	-	261,864
Equipment and furniture	37,163	2,122	-	39,285
Vehicles and motorized equipment	1,186,599	98,571	52,544	1,232,626
Total accumulated depreciation	<u>2,329,721</u>	<u>\$ 111,896</u>	<u>\$ 52,544</u>	<u>2,389,073</u>
Total capital assets being depreciated, net	<u>534,403</u>			<u>624,453</u>
Landfill capital assets, net	<u>\$ 848,737</u>			<u>\$ 938,787</u>
Scotland County Water District I				
Capital assets not being depreciated:				
Work in progress	\$ -	227,996	-	\$ 227,996
Capital assets being depreciated:				
Plant and distribution systems	4,529,450	-	-	4,529,450
Furniture and maintenance equipment	8,592	-	-	8,592
Total capital assets being depreciated	<u>4,538,042</u>	<u>-</u>	<u>-</u>	<u>4,538,042</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,241,916	113,236	-	2,355,152
Furniture and maintenance equipment	2,506	859	-	3,365
Total accumulated depreciation	<u>2,244,422</u>	<u>\$ 114,095</u>	<u>\$ -</u>	<u>2,358,517</u>
Total capital assets being depreciated, net	<u>2,293,620</u>			<u>2,179,525</u>
Scotland County Water District I capital assets, net	<u>\$ 2,293,620</u>			<u>\$ 2,407,521</u>
Scotland County Water District II				
Capital assets not being depreciated:				
Work in progress	\$ -	55,441	-	\$ 55,441
Capital assets being depreciated:				
Plant and distribution systems	7,349,440	-	-	7,349,440
Total capital assets being depreciated	<u>7,349,440</u>	<u>-</u>	<u>-</u>	<u>7,349,440</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,144,022	183,736	-	2,327,758
Total accumulated depreciation	<u>2,144,022</u>	<u>\$ 183,736</u>	<u>\$ -</u>	<u>2,327,758</u>
Total capital assets being depreciated, net	<u>5,205,418</u>			<u>5,021,682</u>
Scotland County Water District II capital assets, net	<u>5,205,418</u>			<u>5,077,123</u>
Business-type activities capital assets, net	<u>\$ 8,347,775</u>			<u>\$ 8,423,431</u>

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	319,527	7,050	1,600	324,977
Furniture and equipment	72,113	5,591	27,997	49,707
Total capital assets being depreciated	<u>391,640</u>	<u>12,641</u>	<u>29,597</u>	<u>374,684</u>
Less accumulated depreciation for:				
Buildings	168,588	9,388	1,600	176,376
Furniture & equipment	72,096	294	27,997	44,393
Total accumulated depreciation	<u>240,684</u>	<u>9,682</u>	<u>29,597</u>	<u>220,769</u>
Total capital assets being depreciated, net	<u>150,956</u>			<u>153,915</u>
Capital assets, net	<u>\$ 169,956</u>			<u>172,915</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 215,000	\$ -	\$ -	\$ 215,000
Artifacts	5,000	-	-	5,000
Historic buildings	71,053	-	-	71,053
Total capital assets not being depreciated	291,053	-	-	291,053
Capital assets being depreciated:				
Buildings	508,961	17,323	-	526,284
Furniture and equipment	233,751	2,541	-	236,292
Total capital assets being depreciated	742,712	19,864	-	762,576
Less accumulated depreciation for:				
Buildings	229,659	17,085	-	246,744
Equipment	141,806	8,995	-	150,801
Total accumulated depreciation	<u>371,465</u>	<u>26,080</u>	<u>-</u>	<u>397,545</u>
Total capital assets being depreciated, net	<u>371,247</u>			<u>365,031</u>
Commission capital assets, net	<u>\$ 662,300</u>			<u>656,084</u>

Activity for the Scotland County Economic Development Corporation for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 540,362	\$1,760,090	\$ 350,000	\$ 1,950,452
Total capital assets not being depreciated	540,362	1,760,090	350,000	1,950,452
Capital assets being depreciated:				
Buildings	1,553,944	72,975	-	1,626,919
Furniture and equipment	39,343	-	-	39,343
Total capital assets being depreciated	1,593,287	72,975	-	1,666,262
Less accumulated depreciation for:				
Buildings	107,188	33,849	-	141,037
Furniture & equipment	9,554	3,423	-	12,977
Total accumulated depreciation	116,742	37,272	-	154,014
Total capital assets being depreciated, net	1,476,545			1,512,248
Capital assets, net	\$2,016,907			\$ 3,462,700

The Scotland County Tourism Development Authority has no fixed assets.

B. Liabilities

1. Payables & Accrued Liabilities

Payables at the government-wide level at June 30, 2017 were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental activities:				
General	\$ 693,472	\$ 706,289	\$ -	\$ 1,399,761
Other governmental	64,990	-	-	64,990
Total - governmental activities	\$ 758,462	\$ 706,289	\$ -	\$ 1,464,751
Business-type activities:				
Public works	\$ 51,212	\$ 20,154	\$ -	\$ 71,366
Water and sewer districts	83,401	1,791	-	85,192
Total - business-type activities	\$ 134,613	\$ 21,945	\$ -	\$ 156,558

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County and the ABC Board are participating employers in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2017, was 8% of compensation for law enforcement officers and 7.25% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$839,797 for the year ended June 30, 2017. Contributions to the pension plan from the ABC Board were \$12,769 for the same period.

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

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

At June 30, 2017, the County reported a liability of \$3,772,874 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of future payroll covered by the pension plan relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the County’s proportion was .178%, which was an increase of .003% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$1,039,270. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	70,886	132,206
Changes in assumptions	258,408	-
Net difference between projected and actual earnings on pension plan investments	2,085,925	-
Changes in proportion and differences between contributions and proportionate share of contributions	76,085	15,711
Employer contributions subsequent to the measurement Date	<u>839,797</u>	<u>-</u>
Total	<u>3,331,101</u>	<u>147,917</u>

\$839,797 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 363,763
2018	364,129
2019	1,011,739
2020	603,763
2021	-
Thereafter	<u>-</u>
	<u>\$2,343,394</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
County's proportionate share of the net pension liability (asset)	8,954,792	3,772,875	555,448

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

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 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, 2016, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Active plan members	<u>41</u>
Total	<u>46</u>

2. Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statements 73.

3. Actuarial Assumptions

The entry age actual cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.86 percent

The discount rate is based on the weekly average of the bond buyer general obligation 20 year municipal bond index determined at the end of each month.

Mortality rates are based on the MP-2015 rates utilizing forward looking rates.

4. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. 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 County paid \$58,490 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$627,701. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$53,784.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	9,831
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>29,898</u>	<u>-</u>
Total	<u>\$ 29,898</u>	<u>\$ 9,831</u>

\$29,898 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 1,962
2019	1,962
2020	1,962
2021	1,962
2022	1,962
Thereafter	21

\$29,667 paid as benefits came due and \$231 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1 % Decrease <u>2.86%</u>	Discount Rate (3.86%)	1% Increase <u>(4.86%)</u>
Total pension liability	\$ 669,520	\$ 627,701	\$ 589,081

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

	<u>2017</u>
Beginning balance	\$ 642,469
Service cost	33,623
Interest on the total pension liability	21,892
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	-
Changes of assumptions or other inputs	(11,793)
Benefit payments	(58,490)
Other changes	-
Ending balance of the total pension liability	<u>\$ 627,701</u>

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan

1. For Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. The County contributed \$70,941 for the reporting year. No amounts were forfeited.

(2) Other than Law Enforcement Officers

All employees, other than law enforcement officers, employed by the County participate in a Supplemental Retirement Income Plan, a defined contribution pension plan. Employees who are enrolled in the Local Governmental Employees' Retirement System are eligible to participate in the Plan. For the year ended June 30, 2017, the governing body of the County authorized a contribution of 2 percent of employees' compensation to the Plan. Also, employees may make voluntary contributions to the Plan.

Total contributions for the year ended June 30, 2017 were \$330,182, which consisted of \$161,682 from the County and \$168,500 from the employees. The County's contributions and the employees' voluntary contributions represented 2.00 percent and 2.08 percent of the covered payroll amount, respectively.

d. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the year ended June 30, 2017, no match was authorized by the governing body of the County for employees' compensation to the Plan. Total employee contributions for the year ended June 30, 2017 was \$27,238.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description. Scotland County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,550 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$57,689 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2016, the County's proportion was .31%, which was a increase of .03% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$8,111. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	62	747
Changes of assumptions	15,370	-
Net difference between projected and actual earnings on pension plan investments	99	-
Changes in proportion and differences between county contributions and proportionate share of contributions	-	4,425
County contributions subsequent to the measurement date	<u>2,550</u>	<u>-</u>
Total	<u>18,081</u>	<u>5,172</u>

\$2,550 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pension expense as follows:

Year ended June 30:

2018	4,143
2019	4,807
2020	2,058
2021	(646)
2022	-
Thereafter	<u>-</u>
	<u>10,362</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2016 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease <u>(2.75%)</u>	Discount Rate <u>(3.75%)</u>	1% Increase <u>(4.75%)</u>
County's proportionate share of the net pension liability (asset)	46,517	57,690	67,077

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

f. Other Post Employment Benefit:

Healthcare Benefits

Plan Description. Under the terms of the Scotland County personnel policy approved by the Board of County Commissioners, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of January 5, 1987, this plan provides postemployment healthcare benefits to retirees of the County.

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

The County pays the full cost of coverage for these benefits through private insurers. Also, the County retirees have the option of continuing, at their own expense, any additional coverage for self and/or dependent(s) available with the County Group Health Plan. Dependents must be covered at the time of retirement in order to be eligible for continued coverage. Dependent coverage will end when (a) the dependent becomes eligible for another Group Health Plan or Medicare (at age 65); or (b) during open enrollment if the retiree chooses not to continue coverage for dependents; or (c) at the last date for which dependent premium is paid if coverage is terminated for non-payment of premium. Once the dependent coverage is terminated, the dependent remains ineligible for coverage under the County Group Health Plan then and in the future.

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

For Retirees Hired on or after July 1, 2004

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

For Retirees Hired on or after January 1, 2012

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

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

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

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

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Active Members	
Law enforcement officers	33
General employees	237
Emergency medical	14
Retired members	<u>114</u>
Total	<u>398</u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of County Commissioners. The County members pay \$546.26 for EE/Spouse coverage, \$320.34 for EE/Child(ren) coverage, and \$930.31 for family coverage. Only one (1) retiree carries dependent coverage and that is EE/Children. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 13.68% of annual covered payroll. For the current year, the County contributed \$725,648 or 6.88% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a County resolution, for employees not engaged in law enforcement and for law enforcement officers represented .57% and 6.13% of covered payroll, respectively. The County's contributions totaled \$725,648 in fiscal year 2017. There were no contributions made by employees, except for dependent coverage in the amount of \$191,599. The County's obligation to contribute to HCB Plan is established and may be amended by the County Board.

Summary of Significant Accounting Policies.

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

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

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

Annual required contribution	1,442,297
Interest on net OPEB obligation	281,573
Adjustment to annual required contribution	<u>268,989</u>
Annual OPEB cost (expense)	1,454,881
Contributions made	<u>725,648</u>
Increase in net OPEB obligation	729,233
Net OPEB obligation, beginning of year	<u>7,039,320</u>
Net OPEB obligation, end of year	<u>7,768,553</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation as of June 30, 2017 were as follows:

3 Year Trend Information

For Year End June 30	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
2015	1,431,779	49.60%	6,287,565
2016	1,457,646	48.40%	7,039,320
2017	1,454,881	49.88%	7,768,553

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$22,179,858. The covered payroll (annual payroll of active employees covered by the plan) was \$10,545,268, and the ratio of the UAAL to the covered payroll was 210 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 7.75% and 5% percent annually. The investment rate included a 3% percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

g. Other Employment Benefits

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

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 \$1,906,626 reported as landfill closure and postclosure care liability at June 30, 2017 represents a cumulative amount reported to-date based on the use of 10% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,581,557 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 2017. 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.

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience	344,726	142,784
Pensions - difference between projected and actual investment earnings	2,086,024	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	76,085	20,136
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	842,347	-
Benefit payments/administration costs paid subsequent to the measurement date (LEO)	29,898	-
Prepaid taxes not yet earned (General)	-	36,656
Taxes receivable, net, less penalties (General)	-	2,691,310
Total	<u>3,379,080</u>	<u>2,890,886</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency.

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto liability coverage of \$5 million; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; cyber liability of \$1 million, and workers' compensation coverage up to the statutory limits.

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

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

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

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds are performance bonded through commercial crime coverage with a \$250,000 occurrence limit.

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

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

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

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

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

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

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

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

6. Claims, Judgments and Contingent Liabilities

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

7. Long-Term Obligations

a. General Obligation Indebtedness

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

The County's general obligation bonds payable at June 30, 2017 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$4,746,000 school series 2008 bonds due June 1 in installments of \$368,000 to \$488,000 through June 1, 2020; interest at 3.95% (Replaced school series 1997)	1,118,000
\$6,690,000 school series 2009 bonds due June 1 in installments of \$325,000 to \$740,000 through June 1, 2020; interest at 3.95% (Replaced school series 1998 and 1999)	<u>1,495,000</u>
Total	2,613,000

b. Installment Financing Contracts

\$3,000,000 Wagram Primary Expansion QSCB first payment due July 15, 2011 in yearly installments through July 15, 2020. Interest is 5.420% but reimbursed with tax credits	1,200,000
\$1,161,713 Guaranteed Energy Savings Contract first payment due November 7, 2014 in annual installments through November 7, 2030. Interest is 3.75% but reimbursed with tax credits	<u>1,049,999</u>
Total	2,249,999
TOTAL – GENERAL FUND	<u>4,862,999</u>

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

Water District Bonds outstanding at June 30, 2017 in the amount of \$5,387,500 are obligations of the water district, a blended component unit of the County and are not obligations of the County. Interest rates for Water Districts 1 and 2 are 4.875% and 4.25%, respectively. Payments due on this debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	146,500	257,650
2019	154,000	251,102
2020	161,000	244,219
2021	168,000	237,024
2022	175,000	229,515
2023-2027	1,002,000	1,022,812
2028-2032	1,228,500	778,104
2033-2037	1,425,000	486,244
2038-2042	1,145,500	196,478
2043	<u>232,000</u>	<u>9,860</u>
TOTAL	<u>\$ 5,837,500</u>	<u>\$3,713,008</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	967,000	90,549
2019	953,000	57,957
2020	<u>693,000</u>	<u>25,099</u>
Total	<u>\$ 2,613,000</u>	<u>\$ 173,604</u>

At June 30, 2017, Scotland County had a legal debt margin of \$171,824,623.

b. Qualified School Construction Bond

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

The QSCB was executed in June 2011 for various property improvements for use by Scotland County Board of Education. The transaction required ten principal payments by the County of \$300,000 and ten annual interest payments at an interest rate of 5.420%. For Scotland County, the future minimum payments as of June 30, 2017, including \$162,600 of interest are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	300,000	65,040
2019	300,000	48,780
2020	300,000	32,520
2021	300,000	16,260
Total	<u>\$ 1,200,000</u>	<u>\$ 162,600</u>

Installment Purchases:

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	43,948	39,375
2019	47,859	37,727
2020	51,478	35,932
2021	55,796	34,002
2022	60,340	31,909
2023-2027	378,520	121,879
2028-2031	412,058	39,915
Total	<u>\$ 1,049,999</u>	<u>\$ 340,739</u>

Debt related to capital activities - of the total governmental activities debt listed, only \$1,049,999 relates to assets the County holds title to.

Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2017.

	Balance			Balance		Current
	July 1, 2016	Increases	Decreases	June 30, 2017		Portion of
						Balance
Governmental activities:						
General obligation debt	\$ 3,594,000	\$ -	\$ 981,000	\$ 2,613,000	\$	967,000
Installment financing	2,590,715	-	340,717	2,249,998		343,948
Net pension obligation-(LEO)	642,469	-	14,768	627,701		-
Compensated absences	916,709	683,951	741,175	859,485		-
Net pension liability (LGERS)	753,069	2,868,891	-	3,621,960		-
Other postemployment benefits	6,804,609	702,811	-	7,507,420		-
Total governmental activities	\$15,301,571	\$ 4,255,653	\$ 2,077,660	\$17,479,564	\$	1,310,948
Business-type activities:						
Water and sewer districts						
General obligation debt	\$ 5,978,501	\$ -	\$ 141,000	\$ 5,837,501		146,500
Compensated absences	4,654	3,612	3,830	4,436		-
Net pension liability (LGERS)	7,844	29,884	-	37,728		-
Other postemployment benefits	-	3,523	-	3,523		-
Total water and sewer activities	5,990,999	37,019	144,830	5,883,188		146,500
Landfill						
Accrued landfill closure and postclosure care costs	1,845,797	60,829	-	1,906,626		-
Compensated absences	35,536	14,616	20,361	29,791		-
Net pension liability (LGERS)	23,533	89,653	-	113,186		-
Other postemployment benefits	234,710	22,899	-	257,609		-
Total landfill activities	2,139,576	187,997	20,361	2,307,212		-
Total business-type activities	\$ 8,130,575	\$ 225,016	\$ 165,191	\$ 8,190,400	\$	146,500

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

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2017, consist of the following:

From the General Fund to the:

Revaluation Fund to finance various revaluation expenditures	\$ 75,000
Radio Tower project to fund construction	145,000
	<u>220,000</u>

From Water District I to Water District II to increase working capital	<u>213,043</u>
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Due To and From Interfunds and Other Governments

General Fund:

Due from Morgan Center project and NCHFA for cash to fund project	Exhibit 3	185,279
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D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 9,778,180	\$ 8,423,431
Less: long term debt	<u>1,049,999</u>	<u>5,837,501</u>
Net investment in capital assets	<u>\$ 8,728,181</u>	<u>\$ 2,585,930</u>

E. Fund Balance

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

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

Total fund balances - General Fund	\$13,026,983
Less:	
Nonspendable	27,178
Stabilization by State Statute	2,520,088
Appropriated fund balance in 2018-2019 budget	640,000
Remaining Fund Balance	9,839,717

Scotland County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures.

IV. Jointly Governed Organization

The County, in conjunction with three other counties and twenty-three municipalities, established the Lumber River Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$27,054 to the Council during the fiscal year ended June 30, 2017.

Related Organizations

Richmond Community College, located at Hamlet, North Carolina, maintains a continuing education center in Laurinburg, North Carolina. The facility was deeded to Richmond Community College by the City of Laurinburg in 1987. Scotland County has no contractual obligation to provide financial support to Richmond Community College, has no equity interest but appoints two members of the governing board. The decision to honor requests for financial support by the college is discretionary with the Scotland County Board of Commissioners and is considered at budget consideration time. For the fiscal year ended June 30, 2017, Scotland County approved and paid the sum of \$290,088 to Richmond Community College.

V. Related Party Transactions

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

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Medicaid	\$48,748,602	\$26,064,313
NC health choice	540,155	1,468
WIC	1,316,122	-
Title IV-E, foster care	267,724	51,495
Adult assistance	225,410	369,592
Adoption assistance	137,876	163,236
	<u>\$51,235,889</u>	<u>\$26,650,104</u>

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

VIII. Subsequent Events

Management has evaluated subsequent events through January 26, 2018, the date which the financial statements were available to be issued.

The County closed on bonds October 17, 2017. Proceeds in the amount of \$23,882,609 will be used to finance the rehabilitation of The Morgan Center and the construction of wings onto Laurel Hill Elementary School and Sycamore Land Elementary School. This amount also refinances the Water Districts general obligation bonds.

There has been informal discussion amongst the Board of Commissioners and the School Board about going back out for bonds in the spring of 2018 for the construction of a new school. A location has been selected by the Scotland County School System.

The County is considering a consolidation plan that will join the Department of Social Services and the Health Department into a Consolidated Human Services Agency. This plan will consolidate the existing Board of Health and Social Services Board into a single Consolidated Human Services Board. The hiring authority of the Health Director and the Social Services Director will be consolidated with the hiring authority of the County Manager.

The County has secured a contractor to construct two new fire stations on the North and South sides of the County. The unmanned stations will house the proper fire equipment and will meet the requirements of the Department of Insurance to extend existing five mile districts. The new area covered would lower the fire ratings for residential and commercial properties resulting in a reduction of premiums for fire insurance.

All water towers have been rehabilitated as of August 2017. The towers were taken offline, stripped, and repainted. With permission from the State, all water towers have been returned to service.

IX. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$426,808. The County also implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* for the Healthcare Benefits Plan. The implementation of this statement had no effect on net position.

Required Supplemental Financial Data

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

- Other Postemployment Benefits Plan Schedule of Funding Progress
- Other Postemployment Benefits Schedule of Employer Contributions
- Schedule of County's Proportionate Share of Net Pension Liability (Asset) (LGERS)
- Schedule of County's Contributions to Local Governmental Employees' Retirement System
- Schedule of County's Proportionate Share of Net Pension Asset for Register of Deeds Supplemental Pension Fund
- Schedule of County Contributions to Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability (LEO)
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll (LEO)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/13	-	20,745,367	20,745,367	0%	9,344,802	222.00%
12/31/14	-	21,899,413	21,899,413	0%	9,560,309	229.10%
12/31/15	-	22,179,858	22,179,858	0%	10,545,268	210.30%
12/31/16	-	22,179,858	22,179,858	0%	10,545,268	210.30%

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	1,421,830	49.60%
2016	1,446,406	48.80%
2017	1,442,297	50.31%

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

Valuation date	12/31/2017
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical Trend Assumptions	
Pre-Medicare Trend Rate	7.75% to 5.00%
Post-Medicare Trend Rate	5.75% to 5.00%
Year of Ultimate Trend Rate	2022
Cost-of-living adjustments	None

*Includes inflation at 3.00%

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

	2017	2016	2015
County's proportion of the net pension liability (asset) %	.178%	.175%	0.165%
County's proportionate share of the net pension liability (asset) \$	3,772,875	784,446	(971,567)
County's covered-employee payroll	10,975,089	10,411,622	10,372,702
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.37%	7.58%	-9.36%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	839,797	756,313	740,748
Contributions in relation to the contractually required contribution	<u>839,797</u>	<u>756,313</u>	<u>740,748</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	11,308,290	10,975,089	10,411,622
Contributions as a percentage of covered-employee payroll	7.42%	6.89%	7.11%

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

	2017	2016	2015
County's proportion of the net pension liability (asset) %	.309%	.284%	.283%
County's proportionate share of the net pension liability (asset) \$	(57,690)	(65,914)	(64,090)
County's covered-employee payroll	56,824	50,177	50,177
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-101.52%	-131.36%	-127.73%
Plan fiduciary net position as a percentage of the total pension liability	160.17%	197.29%	193.88%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	2,550	2,494	2,071
Contributions in relation to the contractually required contribution	<u>2,550</u>	<u>2,494</u>	<u>2,071</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	54,027	56,824	50,177
Contributions as a percentage of covered-employee payroll	4.72%	4.39%	4.13%

Scotland County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2017

2017

Beginning balance	\$ 642,469
Service cost	33,623
Interest on the total pension liability	21,892
Changes on assumptions or other inputs	(11,793)
Benefit payments	<u>(58,490)</u>
Ending balance of the total pension liability	<u>\$ 627,701</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

Scotland County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2017

2017

Total pension liability	\$	627,701
Covered payroll		1,601,424
Total pension liability as a percentage of covered payroll		39.20%

Notes to the schedules:

Scotland County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

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, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		\$ 22,202,751	
Interest		271,714	
Total	\$ 22,612,694	22,474,465	\$ (138,229)
Local option sales taxes:			
Article 39 one percent		2,772,005	
Article 40 one-half of one percent		1,970,701	
Article 42 one-half of one percent		1,450,691	
Article 44 one-half of one percent		583,989	
Total	6,654,898	6,777,386	122,488
Other taxes and licenses:			
Franchise tax	60,000	57,621	(2,379)
Unrestricted intergovernmental:			
Beer and wine tax		83,001	
ABC profit distribution		137,148	
Total	201,864	220,149	18,285
Restricted intergovernmental:			
State and federal grants		7,855,140	
Lottery proceeds		400,000	
Court facility fees		43,587	
Total	9,436,478	8,298,727	(1,137,751)
Permits and fees:			
Election fees		161	
Inspection fees		190,445	
Register of deeds		213,113	
Total	400,255	403,718	3,463

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, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues - continued:			
Sales and services:			
Jail and other fees		165,619	
Ambulance fees		1,311,107	
Recreation fees		114,384	
Emergency communications revenue		250,000	
Rental revenue		9,424	
Health department fees		257,849	
Total	2,073,102	2,108,382	35,280
Investment earnings	72,075	75,655	3,580
Fines, forfeitures	175,000	153,332	(21,668)
Miscellaneous:			
Private donations		19,900	
Sheriff dept. - surveillance - shared revenue		6,103	
Other		371,004	
Total	294,721	397,006	102,285
 Total revenues	 41,981,087	 40,966,443	 (1,014,644)

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, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		56,457	
Other operating expenditures		18,850	
Reimbursements-proprietary funds		(16,951)	
Total	66,001	58,356	7,645
Administration:			
Salaries and employee benefits		765,763	
Reimbursement from enterprise funds		(100,330)	
Other operating expenditures		21,181	
Capital outlay		29,500	
Total	1,102,492	716,114	386,378
Elections:			
Salaries and employee benefits		161,478	
Other operating expenditures		71,009	
Total	254,913	232,487	22,426
Tax:			
Salaries and employee benefits		642,539	
Other operating expenditures		180,976	
Total	1,284,152	823,515	460,638
Legal:			
Contracted services		57,419	
Total	90,275	57,419	32,857
Register of deeds:			
Salaries and employee benefits		200,333	
Other operating expenditures		53,306	
Total	278,440	253,639	24,801

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, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		1,662	
Capital outlay		4,744	
Total	7,800	6,406	1,394
Information technology:			
Salaries and employee benefits		154,334	
Other operating expenditures		85,888	
Total	331,524	240,222	91,302
Total general government	3,415,597	2,388,158	1,027,439
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,351,745	
Other operating expenditures		351,316	
Capital outlay		180,129	
Total	3,047,184	2,883,190	163,994
Jail:			
Salaries and employee benefits		1,048,530	
Other operating expenditures		701,892	
Total	1,827,413	1,750,422	76,991
Emergency ambulatory & services:			
Salaries and employee benefits		1,378,479	
Other operating expenditures		316,336	
Capital outlay		182,885	
Total	2,017,633	1,877,699	139,934

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, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Emergency communications:			
Salaries and employee benefits		819,890	
Other operating expenditures		<u>113,003</u>	
Total	1,009,540	932,893	76,647
Forestry service	99,896	87,746	12,150
Inspections:			
Salaries and employee benefits		263,248	
Other operating expenditures		<u>15,716</u>	
Total	298,194	278,965	19,229
Planning & zoning:			
Other operating expenditures		<u>836</u>	
Total	5,237	836	4,401
Scotland County Rescue Squad	32,000	19,384	12,616
Medical examiner	50,000	40,824	9,176
Animal control:			
Salaries and employee benefits		96,067	
Other operating expenditures		<u>13,484</u>	
Total	110,526	109,551	975
Humane society	120,000	113,616	6,384
Surveillance and drugs:			
Other operating expenditures		<u>10,000</u>	
Total	10,000	10,000	-
Total public safety	8,627,623	8,105,126	522,497

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, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures		537,223	
Total	538,058	537,223	835
Public buildings:			
Salaries and employee benefits		685,966	
Other operating expenditures		387,081	
Capital outlay		114,943	
Total	1,445,067	1,187,989	257,078
Total central service	1,983,125	1,725,213	257,912
Economic and physical development:			
Industry grants		1,079,281	
Region N-council of government		27,054	
SEDC		3,254	
Total	1,214,660	1,109,589	105,071
Co-op extension:			
Salaries and employee benefits		6,142	
Other operating expenditures		150,393	
Total	169,127	156,534	12,593
Soil and water conservation:			
Salaries and employee benefits		70,547	
Other operating expenditures		2,739	
Total	80,722	73,286	7,436
Total economic & physical development	1,464,509	1,339,410	125,099

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		111,738	
Historic Properties		18,000	
Scotland Home Health, Inc.		68,559	
Total other expenditures	198,297	198,297	-
Human services:			
Health:			
Administration:			
Salaries and employee benefits		675,018	
Other operating expenditures		275,802	
Total	952,195	950,820	1,375
Tuberculosis:			
Salaries and employee benefits		13,705	
Other operating expenditures		4,145	
Total	19,449	17,850	1,599
Orthopedic		100	
Child health		66,469	
Primary care		27,012	
Communicable diseases		216,222	
Total	336,984	309,803	27,181
Family planning:			
Salaries and employee benefits		190,197	
Other operating expenditures		117,408	
Total	328,723	307,605	21,118

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, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		126,933	
Other operating expenditures		116,891	
Total	245,417	243,824	1,593
Women, infants, and children:			
Salaries and employee benefits		226,567	
Other operating expenditures		73,500	
Total	338,910	300,067	38,843
Environmental health:			
Salaries and employee benefits		118,499	
Other operating expenditures		13,808	
Total	140,565	132,307	8,258
Child services coordinator:			
Salaries and employee benefits		107,312	
Other operating expenditures		2,846	
Total	116,797	110,158	6,639
MCC	139,336	139,128	208
Immunization:			
Salaries and employee benefits		23,705	
Other operating expenditures		32,236	
Total	63,483	55,941	7,542
Adult health:			
Salaries and employee benefits		63,017	
Other operating expenditures		6,071	
Total	69,262	69,088	174

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		3,091	
Other operating expenditures		42,583	
Total	46,242	45,674	568
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		7,506	
Total	80,525	80,426	99
Total health	2,877,888	2,762,691	115,197
Social services:			
Administration:			
Salaries and employee benefits		4,662,745	
Other operating expenditures		3,842,130	
Capital outlay		51,962	
Total	9,176,640	8,556,837	619,803
Transportation:			
Salaries and employee benefits		265,064	
Other operating expenditures		60,528	
Capital outlay		33,700	
Total	504,975	359,293	145,682
Total social services	9,681,615	8,916,130	765,485

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, 2017

	2017		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		53,045	
Other operating expenditures		1,455	
Total	59,344	54,501	4,843
Total human services	12,618,847	11,733,322	885,525
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		457,497	
Other operating expenditures		226,900	
Total	782,520	684,398	98,123
Libraries:			
Salaries and employee benefits		283,518	
Other operating expenditures		182,678	
Total	478,178	466,196	11,982
Total cultural and recreational	1,260,698	1,150,594	110,104

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, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Education:			
Public schools - current expense		10,666,210	
Public schools - lottery-capital outlay		100,000	
Fines and forfeitures		142,283	
Contributions of capital		300,000	
Community colleges - current		290,088	
Total education	11,662,176	11,498,581	163,595
Debt service:			
Principal retirement		1,321,717	
Interest and fees, other		168,828	
Total debt service	1,566,317	1,490,545	75,772
Total expenditures	42,797,189	39,629,246	3,167,943
Revenues over (under) expenditures	(816,102)	1,337,197	2,153,299

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	2017		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Other financing sources (uses):			
Transfers to other funds:			
Special revenue funds revaluation fund	(75,000)	(75,000)	
Radio tower project fund	<u>(145,000)</u>	<u>(145,000)</u>	
Total net transfers	(220,000)	(220,000)	-
Total other financing sources (uses)	(220,000)	(220,000)	-
Appropriated fund balance	<u>1,036,102</u>	<u>-</u>	<u>(1,036,102)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,117,197</u>	<u>\$ 1,117,197</u>
Fund balances:			
Beginning of year, July 1		<u>11,909,786</u>	
End of year, June 30		<u>\$ 13,026,983</u>	

Scotland County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds				Capital Project Funds				
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	North Carolina Housing Finance Agency	Total Nonmajor Special Revenue Funds	Morgan Center Project Fund	Radio Tower Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ 363,034	\$ -	\$ -	\$ 363,034	\$ -	\$ 145,000	\$ 145,000	\$ 508,034
Restricted cash	1,419,784	-	207,173	-	1,626,957	-	-	-	1,626,957
Taxes receivable	63,047	-	-	-	63,047	-	-	-	63,047
Prepaid expense	-	-	4,716	-	4,716	-	-	-	4,716
Due from other governments/grantors	60,644	-	24,890	199,939	285,473	-	-	-	285,473
Total assets	\$ 1,543,475	\$ 363,034	\$ 236,779	\$ 199,939	\$ 2,343,227	\$ -	\$ 145,000	\$ 145,000	\$ 2,488,227
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	20,110	-	-	20,600	40,710	24,280	-	24,280	64,990
Due to general fund	-	-	-	179,339	179,339	5,940	-	5,940	185,279
Total liabilities	20,110	-	-	199,939	220,049	30,220	-	30,220	250,269
DEFERRED INFLOWS OF RESOURCES									
Taxes receivable	63,047	-	-	-	63,047	-	-	-	63,047
Total deferred inflows of resources	63,047	-	-	-	63,047	-	-	-	63,047
Fund balances:									
Nonexpendable:									
Prepaid expenses	-	-	4,716	-	4,716	-	-	-	4,716
Restricted for:									
Stabilization by state statute	60,645	-	24,890	-	85,535	-	-	-	85,535
Fire protection	1,399,673	-	-	-	1,399,673	-	-	-	1,399,673
Emergency telephone	-	-	207,173	-	207,173	-	-	-	207,173
Committed:									
Revaluation	-	363,034	-	-	363,034	-	-	-	363,034
Assigned:									
Capital outlay	-	-	-	-	-	-	145,000	145,000	145,000
Unassigned	-	-	-	-	-	(30,220)	-	(30,220)	(30,220)
Total fund balances	1,460,318	363,034	236,779	-	2,060,131	(30,220)	145,000	114,780	2,174,911
Total liabilities, deferred inflows of resources and fund balances	\$ 1,543,475	\$ 363,034	\$ 236,779	\$ 199,939	\$ 2,343,227	\$ -	\$ 145,000	\$ 145,000	\$ 2,488,227

Scotland County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds				Capital Project Funds				
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	North Carolina Housing Finance Agency	Total Nonmajor Special Revenue Funds	Morgan Center Project Fund	Radio Tower Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:									
Ad valorem taxes	\$ 617,757	\$ -	\$ -	\$ -	\$ 617,757	\$ -	\$ -	\$ -	\$ 617,757
Other taxes, licenses & fees	550	-	298,699	-	299,249	-	-	-	299,249
Sales tax	309,941	-	-	-	309,941	-	-	-	309,941
Other grants	-	-	-	553,840	553,840	-	-	-	553,840
Investment earnings	7,011	-	-	-	7,011	-	-	-	7,011
Total revenues	935,259	-	298,699	553,840	1,787,798	-	-	-	1,787,798
Expenditures:									
Public safety	314,946	-	306,814	-	621,760	-	-	-	621,760
Other	-	-	-	553,840	553,840	-	-	-	553,840
Capital outlay	603,817	-	-	-	603,817	30,220	-	30,220	634,037
Total expenditures	918,763	-	306,814	553,840	1,779,417	30,220	-	30,220	1,809,637
Revenues over (under) expenditures	16,496	-	(8,115)	-	8,381	(30,220)	-	(30,220)	(21,839)
Other financing sources:									
Transfers from other funds	-	75,000	-	-	75,000	-	145,000	145,000	220,000
Total other financing sources	-	75,000	-	-	75,000	-	145,000	145,000	220,000
Net change in fund balances	16,496	75,000	(8,115)	-	83,381	(30,220)	145,000	114,780	198,161
Fund balances - beginning	1,443,822	288,034	244,894	-	1,976,750	-	-	-	1,976,750
Fund balances - ending	\$ 1,460,318	\$ 363,034	\$ 236,779	\$ -	\$ 2,060,131	\$ (30,220)	\$ 145,000	\$ 114,780	\$ 2,174,911

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, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes	\$ 617,149	\$ 617,757	\$ 608
Other taxes, licenses & fees	600	550	(50)
Sales tax	310,000	309,941	(59)
Investment earnings	<u>7,250</u>	<u>7,011</u>	<u>(239)</u>
Total revenues	934,999	935,259	260
Expenditures:			
Public safety	347,188	314,946	32,242
Capital outlay	<u>601,811</u>	<u>603,817</u>	<u>(2,006)</u>
Total expenditures	<u>948,999</u>	<u>918,763</u>	<u>30,236</u>
Revenues over (under) expenditures	(14,000)	16,496	30,496
Appropriated fund balance	<u>14,000</u>	<u>-</u>	<u>(14,000)</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	16,496	<u>\$ 16,496</u>
Fund balances - beginning		<u>1,443,822</u>	
Fund balances - ending		<u>\$1,460,318</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, 2017

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
None	\$ -	\$ -	\$ -
Expenditures:			
Revaluation	75,000	-	75,000
Revenues (under) expenditures	(75,000)	-	(75,000)
Other financing sources:			
Transfers:			
General fund	75,000	75,000	-
Total other financing sources	75,000	75,000	-
Revenues and other sources over expenditures	\$ -	75,000	\$ 75,000
Fund balances - beginning		288,034	
Fund balances - ending		\$ 363,034	

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, 2017

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Other taxes, licenses & fees	\$ 298,699	\$ 298,699	\$ -
Total revenues			
Expenditures:			
Public safety	<u>306,814</u>	<u>306,814</u>	<u>-</u>
Total expenditures	<u>306,814</u>	<u>306,814</u>	<u>-</u>
Revenues (under) expenditures	<u>\$ (8,115)</u>	(8,115)	<u>\$ -</u>
Fund balances - beginning		<u>244,894</u>	
Fund balances - ending		<u>\$ 236,779</u>	

Scotland County, North Carolina
North Carolina Housing Finance
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
 For the Fiscal Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other grants	\$ 563,050	\$ 553,840	\$ (9,210)
Total revenues	<u>563,050</u>	<u>553,840</u>	<u>(9,210)</u>
Expenditures:			
Administration	<u>563,050</u>	<u>553,840</u>	<u>9,210</u>
Total expenditures	<u>563,050</u>	<u>553,840</u>	<u>9,210</u>
Revenues (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances - beginning		<u>-</u>	
Fund balances - ending		<u>\$ -</u>	

Scotland County, North Carolina
Morgan Center Project
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Rehabilitation/construction	2,000,000	-	30,220	30,220	1,969,780
Total expenditures	2,000,000	-	30,220	30,220	1,969,780
Revenues (under) expenditures	(2,000,000)	-	(30,220)	(30,220)	(1,969,780)
Other financing sources:					
Installment financing	2,000,000	-	-	-	(2,000,000)
Total other financing sources	2,000,000	-	-	-	(2,000,000)
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(30,220)</u>	<u>\$ (30,220)</u>	<u>\$ (30,220)</u>
Fund balances - beginning			-		
Fund balances - ending			<u>\$ (30,220)</u>		

Scotland County, North Carolina
Radio Tower Capital Project
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budget Authorization	Actual	Total to Date	Variance Positive (Negative)
Revenues:				
None	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
None	-	-	-	-
Total expenditures	-	-	-	-
Revenues over expenditures	-	-	-	-
Other financing sources:				
Transfers	145,000	145,000	145,000	-
Total other financing sources	145,000	145,000	145,000	-
Revenues and other sources over expenditures	<u>\$ 145,000</u>	<u>145,000</u>	<u>\$ 145,000</u>	<u>\$ -</u>
Fund balances - beginning		-		
Fund balances - ending		<u>\$ 145,000</u>		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		\$ 759,507	
Availability fees		983,639	
Other operating revenues		16,889	
Total operating revenues	\$ 1,970,343	1,760,035	\$ (210,308)
Nonoperating revenues:			
Solid waste disposal tax		15,286	
Scrap tire disposal tax		47,960	
White goods disposal tax		14,085	
Surplus property		19,192	
Total	95,392	96,523	1,131
Total revenues	2,065,735	1,856,558	(209,177)
Expenditures:			
Operating expenses:			
Salaries & employee benefits		476,594	
Supplies		18,217	
Repairs & maintenance		124,798	
Contracted services		264,427	
Waste disposal		441,525	
Other operating expenditures		106,929	
Total operating expenses	1,863,735	1,432,490	431,245
Capital outlays:			
Equipment	202,000	201,946	54
Total expenditures	2,065,735	1,634,436	431,299
Revenues over expenditures	\$ -	222,122	\$ 222,122
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		201,946	
Depreciation		(111,896)	
Increase in deferred outflows of resources-pensions		50,220	
(Increase) in net pension liability		(89,653)	
Decrease in deferred inflows of resources-pensions		8,502	
Decrease in accrued vacation		5,745	
(Increase) in accrued landfill closure and postclosure costs		(60,829)	
Bad debts		3,076	
(Increase) in accrued OPEB liability		(22,899)	
Total reconciling items		(15,788)	
Change in net position		\$ 206,334	

Scotland County, North Carolina
Water District I Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		\$ 719,940	
Total operating revenues	\$ 822,000	719,940	\$ (102,060)
Expenditures:			
Operating expenses:			
Salaries and employee benefits		40,616	
Water purchases		293,831	
Other operating expenditures		159,513	
Total operating expenses	493,502	493,960	(458)
Debt service:			
Principal retirement		49,000	
Interest		76,928	
Total	125,928	125,928	-
Capital outlay:			
Equipment-water tank	227,000	227,996	(996)
Total expenditures	846,430	847,884	(1,454)
Revenues (under) expenditures	(24,430)	(127,944)	(103,514)
Other financing (uses):			
Transfers to other funds			
Water District II	(213,043)	(213,043)	
Total other financing sources (uses)	(213,043)	(213,043)	-
Fund balance appropriated	237,473	-	(237,473)
Revenues (under) expenditures	\$ -	(340,987)	\$ (340,987)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		227,996	
Principal payment		49,000	
Depreciation		(114,095)	
Increase in deferred outflows of resources-pensions		22,989	
(Increase) in net pension liability		(29,884)	
Decrease in deferred inflows of resources-pensions		2,834	
Bad debts		(426)	
(Increase) in accrued opeb liability		(3,523)	
Decrease in accrued vacation		218	
Total reconciling items		155,109	
Change in net position		\$ (185,878)	

Scotland County, North Carolina
Water District II Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2017

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		\$ 528,660	
Sewer fees		106,728	
Total operating revenues	\$ 673,579	635,388	\$ (38,191)
Expenditures:			
Operating expenses:			
Water purchases		219,861	
Water operations		87,715	
Total operating expenses	286,440	307,576	(21,136)
Debt service:			
Debt principal		92,000	
Interest		187,021	
Total	279,021	279,021	-
Capital outlay:			
Equipment-water tank	321,161	55,441	265,720
Total expenditures	886,622	642,038	244,584
Revenues (under) expenditures	(213,043)	(6,650)	206,393
Other financing sources:			
Transfers	213,043	213,043	-
Revenues over expenditures and other uses	\$ -	206,393	\$ 206,393
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		55,441	
Principal payments		92,000	
Depreciation		(183,736)	
Bad debts		487	
Total reconciling items		(35,808)	
Change in net position		\$ 170,585	

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Social Services				
Assets:				
Cash & cash equivalents	14,880	137,093	134,525	17,448
Liabilities:				
Miscellaneous liabilities	14,880	137,093	134,525	17,448
Fines and Forfeitures				
Assets:				
Cash	1,871	443,875	439,632	6,114
Liabilities:				
Intergovernmental payable	-	153,332	153,332	-
Other tax	1,871	290,543	286,300	6,114
Total liabilities	1,871	443,875	439,632	6,114
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	35,939	450,516	486,455	-
Liabilities:				
Miscellaneous liabilities	35,939	450,516	486,455	-
Inmate Trust Fund				
Assets:				
Cash	7,698	195,638	155,981	47,355
Liabilities:				
Inmate funds	7,698	195,638	155,981	47,355
Tourism Development Fund				
Assets:				
Cash	197,355	307,461	319,839	184,977
Liabilities:				
Miscellaneous liabilities	197,355	307,461	319,839	184,977
Parks and Recreation				
Assets:				
Cash	75	1,880	1,820	135
Liabilities:				
Miscellaneous liabilities	75	1,880	1,820	135

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Concealed Weapons Fees				
Assets:				
Cash	1,895	23,200	23,235	1,860
Liabilities:				
Miscellaneous liabilities	1,895	23,200	23,235	1,860
Register of Deeds				
Assets:				
Cash	6,628	106,476	104,148	8,956
Liabilities:				
Miscellaneous liabilities	6,628	106,476	104,148	8,956
Library				
Assets:				
Cash	12,281	2,469	-	14,750
Liabilities:				
Miscellaneous liabilities	12,281	2,469	-	14,750
Certified Retirement Community				
Assets:				
Cash	-	2,450	-	2,450
Liabilities:				
Miscellaneous Liabilities	-	2,450	-	2,450
Total-All Agency Funds				
Assets:				
Cash	278,622	1,671,058	1,665,635	284,045
Liabilities:				
Miscellaneous liabilities	278,622	1,517,726	1,512,303	284,045
Intergovernmental payable	-	153,332	153,332	-
Total liabilities	278,622	1,671,058	1,665,635	284,045

OTHER SCHEDULES

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2017

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2016</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2017</u>
2016-2017	\$ -	\$ 22,240,796	\$ 21,367,228	\$ 873,568
2015-2016	942,961	-	564,959	378,002
2014-2015	416,682	-	195,157	221,525
2013-2014	304,705	-	89,278	215,427
2012-2013	263,854	-	54,494	209,360
2011-2012	200,159	-	29,230	170,929
2010-2011	191,586	-	22,030	169,556
2009-2010	174,107	-	15,800	158,307
2008-2009	168,843	-	15,128	153,715
2007-2008	181,744	-	11,723	170,021
2006-2007	<u>159,505</u>	<u>-</u>	<u>113,323</u>	<u>46,182</u>
 Total	 3,004,146	 22,240,796	 22,478,350	 2,766,592
				 <u>138,330</u>
				 Ad valorem taxes receivable - net \$ 2,628,262
 <u>Reconciliation with revenues:</u>				
 Ad valorem taxes - net:				
General Fund				\$ 22,474,465
 Reconciling items:				
Interest				\$ (271,714)
Discounts				108,817
Taxes released				<u>166,782</u>
 Total reconciling items				 \$ <u>3,885</u>
 Total collections and credits				 <u>\$ 22,478,350</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2017

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 2,187,239,700	\$ 1.02	\$ 22,309,845	\$ 19,904,343	\$ 2,405,502
Total	2,187,239,700		22,309,845	19,904,343	2,405,502
Abatements	(6,769,410)		(69,048)	(48,021)	(21,027)
Total property valuations	<u>\$ 2,180,470,290</u>				
Net levy			22,240,796	19,856,322	2,384,475
Uncollected taxes at June 30, 2017			<u>873,568</u>	<u>867,992</u>	<u>5,576</u>
Current year's taxes collected			<u>\$ 21,367,228</u>	<u>\$ 18,988,330</u>	<u>\$ 2,378,899</u>
Current year collection percentage			<u>96.07%</u>	<u>95.63%</u>	<u>99.77%</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2017

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 1,478,307,493
Personal property	587,596,703
Public service companies ²	<u>114,566,094</u>
Total assessed valuation	\$ 2,180,470,290
Tax rate per \$100	1.02
Levy (includes discoveries, releases and abatements) ³	\$ 22,240,796

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	620,087
Total	<u><u>\$ 620,087</u></u>

¹Percentage of appraised value has been established by statute.

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

³The levy includes interest and penalties.

Scotland County, North Carolina
 Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2017

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
FCC North Carolina, Inc.	Manufacturing	\$ 124,120,714	5.69%
Pilkington North America	Manufacturing	71,798,210	3.29%
Duke Energy	Utility	28,802,680	1.32%
Piedmont Natural Gas	Utility	27,805,005	1.28%
Meritor Heavy Vehicle	Manufacturing	25,234,849	1.16%
Kordsa, Inc.	Manufacturing	23,884,764	1.10%
Carroll's Realty	Farming	21,861,688	1.00%
Railroad Friction	Manufacturing	15,322,684	0.70%
Lumbee River EMC	Utility	12,678,677	0.58%
CSX Transportation	Railroad	11,393,648	0.52%
Total		<u>\$ 362,902,919</u>	<u>16.64%</u>

COMPLIANCE SECTION



Roche, Head & Associates, PLLC

• CERTIFIED PUBLIC ACCOUNTANTS •

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

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the [accompanying] financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statement, [not presented here], which collectively comprises Scotland County's basic financial statements, and have issued our report thereon dated January 26, 2018.

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

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. *See finding 2017-001.*

Compliance and Other Matters

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

Scotland County's Response to Findings

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

Purpose of this Report

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

Roche, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

January 26, 2018



Roche, Head & Associates, PLLC

• CERTIFIED PUBLIC ACCOUNTANTS •

Report On Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance; In accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Scotland County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Scotland County, North Carolina, compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Scotland County's major federal programs for the year ended June 30, 2017. Scotland County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Scotland County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, OMB Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Scotland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Scotland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002 and 2017-003 that we consider to be significant deficiencies.

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

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

Roche, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

January 26, 2018



Roche, Head & Associates, PLLC

• CERTIFIED PUBLIC ACCOUNTANTS •

Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

Report on Compliance for Each Major State Program

We have audited the Scotland County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2017. Scotland County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Scotland County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Scotland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

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Opinion on Each Major State Program

In our opinion, Scotland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as item 2017-003. Our opinion on each major state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-002 and 2017-003 that we consider to be significant deficiencies.

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

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

Roche, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

January 26, 2018

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a) yes no

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2017

Identification of major federal programs:

CFDA #	Name of Federal Program or Cluster
93.778	Medical Assistance Program (Medicaid)
93.596, 93.575, 93.558 93.658	Subsidized Child Care Cluster

Dollar threshold used to distinguish
 between Type A and Type B Programs \$1,688,023

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major State programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act yes no

Identification of major State programs:

Program Name	
Medical Assistance Program (Medicaid)	
Child Care and Development Fund-Match	Subsidized Child Care Cluster
TANF	Subsidized Child Care Cluster
Foster Care Title IV-E	Subsidized Child Care Cluster

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section II - Financial Statement Findings

Finding: 2017-001
SIGNIFICANT DEFICIENCY

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

Condition: The County expended \$21,136 more for operating expenditures than appropriated in the annual budget ordinance.

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

Identification of repeat finding: This is a repeat finding from the immediate previous audit, Finding 2016-002.

Cause: Oversight. The County over expended funds for operating expenses and a budget amendment was not adopted.

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

Views of Responsible officials and planned corrective actions: The County agrees with this finding. The County will monitor the budget more closely and make necessary budget amendments prior to making expenditures that exceed budgeted amounts.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section III - Federal Award Findings and Questioned Costs

US Department of Health and Human Services

Passed through the NC Dept. of Health and Human Services:
Division of Social Services
Program Name: Medical Assistance Program (Medicaid)
CFDA# 93.778

Finding: 2017-002

Significant Deficiency
Eligibility

Criteria: Individual case records should contain proper evidence of the eligibility determinations and redeterminations in accordance with the Medicaid Manual and 42 CFR 431.10.

Condition: One applicant did not have the proper Register of Deeds verification completed.

Context: Out of a population of 7,063 case files, 91 medicaid case files were audited for eligibility requirements. Of 91 case files audited, 35 were of the type that required the caseworker to conduct a property check by reviewing information with the Register of Deeds. Of those 35 case files, one of them did not contain evidence that a property check was completed with the Register of Deeds.

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

Identification of repeat finding: This is a repeat finding from the immediate previous audit, Finding 2016-004.

Cause: Human error in the eligibility documentation process. Although controls exist to document the process, this particular case did not have the documentation required.

Recommendation: Controls should be in place to ensure all caseworkers review the Register of Deeds records for particular clients and evidence of such reviews are located in the case files.

Views of responsible officials and planned corrective actions:

The County agrees with this finding and will implement the corrective action plan on page 115. The County would like to point out that property checks are completed on all required case files by reviewing the Register of Deeds information system and the County GIS tax system. Although the County GIS tax system is not exactly similar to the Register of Deeds information system, the County believes it provides sufficient information to determine eligibility and in the current case file, the applicant still qualified for benefits after checking with the Register of Deeds.

Finding: 2017-003

Significant Deficiency
Eligibility

Criteria: Individual case records should contain proper evidence of the eligibility determination and redetermination in accordance with the Medicaid Manual and 42 CFR 431.10.

Condition: One applicant received assistance who did not qualify for benefits.

Context: Out of a population of 7,063 case files, 91 medicaid case files were audited for eligibility requirements and one case file did not have timely redetermination evidence related to the case. In addition, after determination was made the individual did not qualify. As a result, \$6,752 in benefits were paid for this particular case when the individual was not eligible.

Effect: One applicant out of 91 case files was not eligible to receive benefits.

Cause: Human error or oversight in timely determination of eligibility.

Recommendation: Proper controls should be in place to ensure that all individuals receiving benefits have had a proper eligibility determination or redetermination completed.

Views of responsible officials and planned corrective actions:

The County agrees with this finding and will implement the corrective action plan on page 115.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section IV - State Award Findings and Questioned Costs

US Department of Health and Human Services

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

Division of Social Services

Program Name: Medical Assistance Program (Medicaid)

CFDA# 93.778

Finding: 2017-002 and 2017-003

Significant Deficiency

Eligibility

See Section III Federal Award Findings and Questioned Costs finding 2017-002 and 2017-003.

SCOTLAND COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2017

Section II - Financial Statement Findings

Finding: 2017-001

Name of contact person: Beth Hobbs - Finance Officer

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

Proposed Completion Date: Immediately.

Section III - Federal Award Findings and Questioned Costs

Finding: 2017-002

Name of contact person: Carolyn Lewellen and April Snead

Corrective Action: Ongoing second party reviews will be conducted going forward, which will include detailed monitoring of internal checklist to ensure both GIS and Register of Deeds are included. Staff will be trained on policy for completing resource verification when determining Medicaid eligibility. Department supervisor will include verification of Register of Deeds check upon completing 2nd party file reviews.

Proposed Completion Date: Immediately.

Finding: 2017-003

Name of contact person: Carolyn Lewellen and April Snead

Corrective Action: DSS management will review the process for determining Medicaid eligibility when a SSI recipient is terminated and notification sent to the Department to ensure timely determination of Medicaid benefits. The Adult Medicaid supervisor reviews the SSI report monthly, and will continue to do so.

Proposed Completion Date: Immediately.

Section IV - State Award Findings and Questioned Costs

Findings: 2017-002 and 2017-003

See Federal Award Findings and Questioned Costs, Findings 2017-002 and 2017-003.

SCOTLAND COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2017

Finding 2016-001

Status: Corrected

Finding 2016-002

Status: There are still expenditures in excess of appropriations. See current year finding 2017-001.

Finding 2016-003

Status: Corrected

Finding 2016-004

Status: See current year finding 2017-002.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through the N.C. Dept. of Health and Human Services: Division of Social Services: Administration: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program						
	10.561	5NC400406	604,974	-	-	604,974
Passed-through the N.C. Dept. of Health and Human Services: Division of Public Health: Administration: Special Supplemental Nutrition Program for Women, Infants, & Children						
	10.557	5NC700705	309,000	-	-	-
Direct Benefit Payments: Special Supplemental Nutrition Program for Women, Infants, & Children						
	10.557	5NC700705	1,007,122	-	-	-
Total U.S. Department of Agriculture			1,921,096	-	-	604,974
<u>U.S. Dept. of Housing and Urban Development</u>						
Passed-through : The North Carolina Housing Finance Agency Single-Family Rehabilitation Loan Pool						
	14.239	SFRLP1428	553,840	-	-	-
<u>U.S. Dept. of Transportation</u>						
Passed-through the N.C. Department of Transportation: Formula Grants for Other than Urbanized Areas						
	20.509	2000000353	26,003	1,625	-	-
Formula Grants for Other than Urbanized Areas						
	20.509	2000000797	49,948	3,122	-	-
Formula Grants for Other than Urbanized Areas						
	20.509	2000000799	-	-	-	-
Passed-through the N.C. Department of Public Safety:						
	20.703	HM-HMO-0544-16-01-00	6,000	-	-	-
Total U.S. Dept. of Transportation			81,951	4,747	-	-
<u>Institute of Museum and Library Services</u>						
Passed-through the N.C. Department of Natural and Cultural Resources: Library Services and Technology Act						
	45.310	LS-00-16-0034-16	14,406	-	-	-
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Dept. of Public Safety: Division of Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disasters)						
	97.036	FEMA-4285B-DR-NC	-	49,589	-	-
Total U. S. Department of Homeland Security			-	49,589	-	-
<u>U.S. Dept of Health & Human Services</u>						
Temporary Assistance for Needy Families (TANF)						
	93.558	G1202NCTANF	10,351	-	-	-
Division of Social Services <u>Temporary Assistance for Needy Families Cluster</u> Temporary Assistance for Needy Families (TANF) / Admin						
	93.558	G1202NCTANF	113,810	-	-	155,112
Temporary Assistance for Needy Families (TANF) / Work First						
	93.558	G1202NCTANF	552,101	-	-	-
TANF / Work First - Direct Benefit Payments						
	93.558	G1202NCTANF	327,210	-	-	460,149
Total TANF Cluster			1,003,472	-	-	615,262
<u>Foster Care and Adoption Cluster</u>						
Foster Care - Title IV-E						
	93.658	1201NC1401	171,797	25,335	-	146,238
Adoption Assistance						
	93.659	1201NC1407	5,040	-	-	5,040
Foster Care - Title IV-E - Direct Benefit Payments						
	93.658	1201NC1401	84,771	20,554	-	22,297
Adoption Assistance - Direct Benefit Payments						
	93.659	1201NC1407	132,836	639	-	32,973
Total Foster Care and Adoption Cluster			394,443	46,528	-	206,548
IV-D Administration						
	93.563	1204NC4005	704,237	-	-	362,789
IV-D Offset Fees						
	93.563	1204NC4005	3,717	(9)	-	1,923
Family Preservation						
	93.566	15113A15151	5,514	-	-	-
Refugee and Entrant Assistance - State Administered Program						
	93.566	G12AANC4110	721	-	-	-
Total Refugee and Entrant Assistance			721	-	-	-

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Low-Income Home Energy Assistance:						
Administration	93.568	G12BNCLIEA	41,444	-	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	G12BNCLIEA	237,652	-	-	-
Crisis Intervention Program	93.568	G12BNCLIEA	238,212	-	-	-
Total Low-Income Home Energy Assistance			517,308	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
- Permanency Planning - Families for Kids	93.645	G1201NC1400	1,561	-	-	520
Total Stephanie Tubbs Jones Child Welfare Services			1,561	-	-	520
Independent Living Transitional Grant	93.674	G1201NC1420	1,737	-	-	-
LINKS - Transitional Funds	94.674	G1201NC1420	7,312	1,828	-	-
Division of Aging and Adult Services:						
Division of Social Services:						
Passed-through the Lumber River Council of Governments:						
SSBG - State In Home Service Fund	93.667	G1201NCSOSR	-	-	-	-
SSBG - State Adult Day Care	93.667	G1201NCSOSR	18,678	14,017	-	4,671
SSBG - State In Home Services Over 60	93.667	G1201NCSOSR	10,623	-	-	1,518
SSBG - Other Services & Training	93.667	G1201NCSOSR	196,109	19,558	-	71,888
Division of Child Development and Early Education:						
Subsidized Child Care						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Development Mandatory and Match Fund-						
Administration	93.596	47013123	83,979	-	-	-
Division of Child Development:						
Child Care and Development Fund - Discretionary	93.575	13801810TB83 & 13801810TK83	506,453	-	-	-
Child Care and Development Fund - Mandatory	93.596	13801810MN83 & 13801810MP83	164,827	-	-	-
Child Care and Development Fund - Match	93.596	13801810VB83, 13801810VD83, & 13801810V183	365,988	163,103	-	-
Total Child Care Development Fund Cluster			1,121,248	163,103	-	-
TANF	93.558	13801810T283	136,481	-	-	-
Foster Care Title IV-E	93.658	13801817K483	11,156	5,606	-	-
Smart Start		566000339	-	128	-	-
State Appropriations		138018120083	-	223,937	-	-
TANF-MOE		13811740TM83 & 13801810T683	-	141,174	-	-
Total Subsidized Child Care			1,268,885	533,948	-	-
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Medical Assistance:						
Direct Benefit Payments:						
Medical Assistance Program	93.778	5-1205NCSMAP	47,715,729	26,011,953	-	-
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	5-1205NCSMAP	1,032,873	52,360	-	325,137
Total Medical Assistance Program			48,748,602	26,064,313	-	325,137
Direct Benefit Payments:						
State Children's Insurance Program - N.C. Health Choice	93.767	1715376H1	528,866	1,448	-	-
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767	1715376H1	11,288	20	-	15
Total State Children's Insurance Program - N.C.			540,155	1,468	-	15

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2017

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-through Grantor's <u>Number</u>	Federal (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>	Passed-through to <u>Subrecipients</u>	Local <u>Expenditures</u>
Centers for Disease Control and Prevention						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Public Health Emergency Preparedness	93.069	5U90TP000538-02	40,349	-	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	5U52PS416676	50	-	-	-
Immunization Grants	93.268	5H23IP422554	6,307	-	-	-
Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	3H23IP000759-04	8,931	-	-	-
Preventive Health & Health Services Block Grant funded solely with Prevention & Public Health Funds	93.758	3B01DP009034-13W2	26,708	-	-	-
HIV Prevention Activities - Health Dept. Based	93.940	1U62PS003658-02	2,606	-	-	-
Preventive Health Services - STD Control Grants	93.977	1H25PS004349	338	-	-	-
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Maternal and Child Health Services Block Grant	93.994	B04MC26685	108,605	40,036	-	-
Office of Population Affairs						
Passed-through NC Dept. of Health & Human Services:						
Office of Population Affairs						
Family Planning Services	93.217	FPHP040648-02-00	41,944	-	-	-
Total U.S. Dept. of Health and Human Services			54,212,751	26,721,686	-	1,590,271
<u>U.S. Dept of Homeland Security</u>						
Passed-through NC Dept. of Public Safety:						
Emergency Management Performance Grant	97.042	EMPG-2016-37165	13,769	-	-	-
Total federal awards			56,243,973	26,776,022	-	2,195,244
State Awards:						
<u>N.C. Dept. of Administration</u>						
Veterans Service						
		143B-1211C4	-	2,130	-	-
Total N.C. Dept. of Administration			-	2,130	-	-
<u>N.C. Dept. of Cultural and Natural Resources</u>						
Division of State Library						
State Aid to Public Libraries		56-6000336-E	-	102,867	-	-
Total N.C. Dept. of Cultural and Natural Resources			-	102,867	-	-
<u>N.C. Dept. of Agriculture and Consumer Services</u>						
Division of Soil & Water Conservation						
		G40100294615SWC	-	26,721	-	3,600
Total N.C. Dept. of Agriculture and Consumer Services			-	26,721	-	3,600
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
White Goods Management Program		SWWG10172016011	-	4,405	-	-
Scrap Tire Program		SWS877 & SWS846	-	11,097	-	-
Total N.C. Dept. of Environmental and Natural Resources			-	15,502	-	-
<u>N.C. Dept. of Health and Human Services</u>						
Division of Social Services						
State Child Welfare/CPS/CS LD		566000339	-	131,849	-	-
DCD Smart Start		566000339	-	15,827	-	-
Energy Assistance Private Grants		566000339	-	4,335	-	-
Foster Care		566000339	23,466	-	-	281
AFDC Incentive Program		566000339	-	948	-	-
CWS Adoption Subsidy		566000339	-	162,597	-	29,458
SAA/SAD HB 1030		566000339	-	19,567	-	16,065
State & County Special Assistance for Adults		566000339	-	336,018	-	336,018
SFHF Maximum		566000339	-	9,627	-	9,627
State Foster Care		566000339	-	17,561	-	17,560
Total Division of Social Service			23,466	698,327	-	409,008

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
Division of Public Health						
Child Health		B04MC23398	-	977	-	-
Food and Lodging		87311534751	-	5,663	-	-
General Aid to Counties		11011614110	-	131,912	-	-
General Communicable Disease Control		51011754510	-	7,855	-	-
HIV/STD Aid		566000339	-	100	-	-
HIV/STD State Aid		53613114536	-	400	-	-
HMHC - Family Planning		566000339	-	13,096	-	-
Maternal Health (HMHC)		B04MC23398	-	6,103	-	-
Public Health Nursing		566000339	-	2,400	-	-
Sexually Transmitted Diseases		566000339	-	457	-	-
Tuberculosis		55114604551	-	13,023	-	-
Tuberculosis Medical Service		55114604554	-	1,529	-	-
Women's Health Service Fund		15113A16012	-	7,608	-	-
Total Division of Public Health			-	191,123	-	-
Total N. C. Department of Health and Human Services			23,466	889,450	-	409,008
N.C. Dept. of Public Instruction						
Public School Building Capital Fund - Lottery Proceeds		LEA 830	-	-	400,000	-
Total N.C. Dept. of Public Instruction			-	-	400,000	-
N.C. Dept. of Public Safety						
JCPC Administration		583-11473	-	10,000	10,000	-
Scots for Youth		583-10939	-	111,738	111,738	-
Youth Empowered to Succeed (YES)		583-12295	-	58,559	58,559	-
Total N.C. Dept. of Public Safety			-	180,297	180,297	-
N.C. Dept. of Transportation						
Rural Operating Assistance Program (ROAP) Cluster						
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	64,813	-	-
- ROAP Rural General Public Program		DOT-16CL	-	69,999	-	-
- ROAP Work First Transitional - Employment		DOT-16CL	-	11,296	-	-
Total ROAP Cluster			-	146,108	-	-
N.C. Dept. of Insurance						
SHIP Grant	93.324	90sa0090-01-00	-	2,507	-	-
Total State awards			23,466	1,365,582	580,297	412,608
Total federal and State awards			56,267,439	28,141,605	580,297	2,607,852

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Scotland County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of Scotland County, it is not intended to and does not present the financial position, changes in net position or cash flows of Scotland County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Scotland County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Cluster of Programs

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

