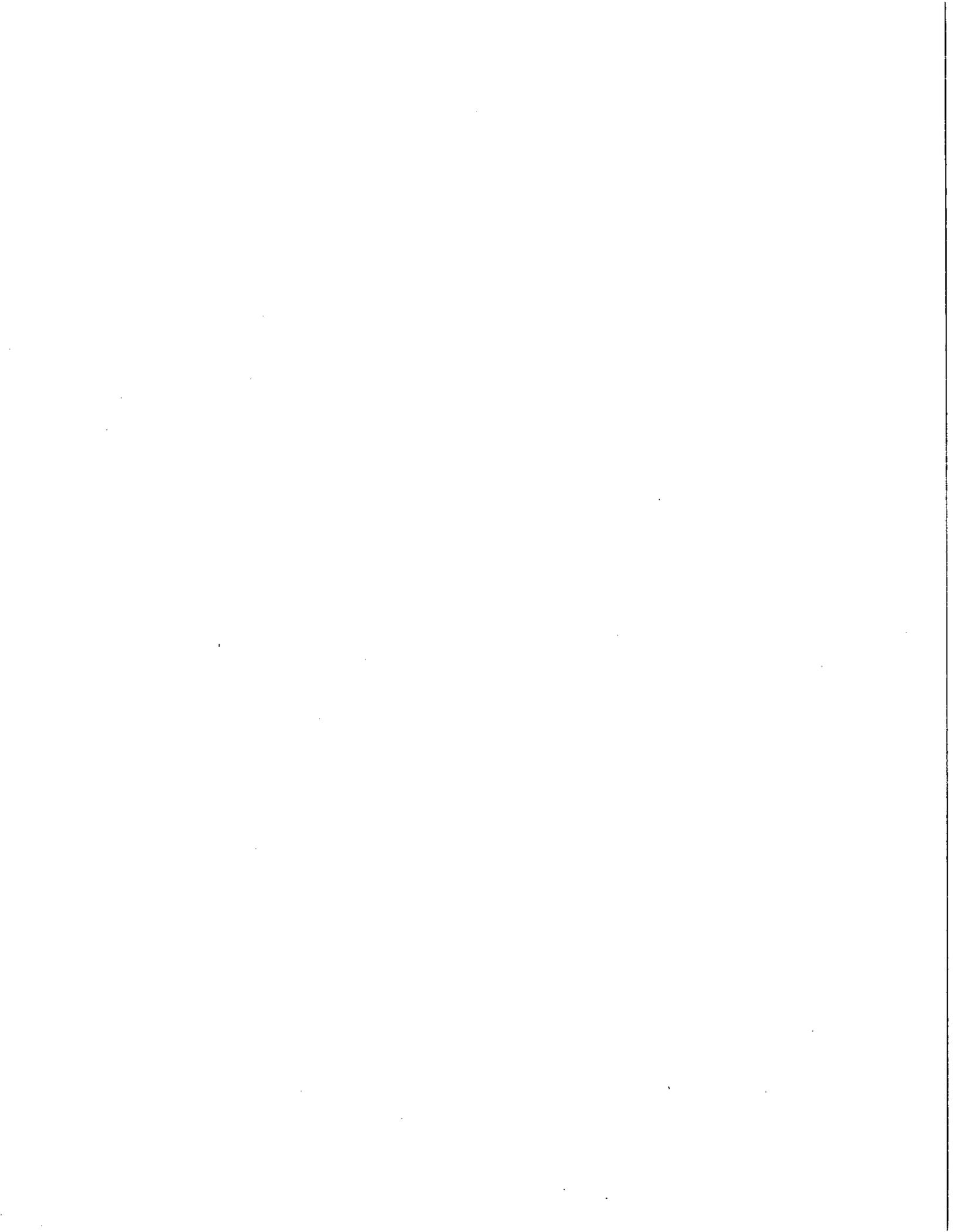


Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2018



SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Whit Gibson, Chair

Carol H. McCall, Vice Chair

John T. Alford, Commissioner

Robert C. Davis, Commissioner

Betty Blue Gholston, Commissioner

Guy McCook, Commissioner

Clarence McPhatter, II, Commissioner

COUNTY OFFICIALS

Travis Allen, Clerk to the 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
Table of Contents
June 30, 2018

<u>Exhibit</u>		<u>Page</u>
	Financial Section	
	Independent Auditor's Report	1- 3
	Management's Discussion and Analysis	4-12
	Basic Financial Statements:	
	Government-wide Financial Statements:	
Exhibit 1	Statement of Net Position	13
Exhibit 2	Statement of Activities	14-15
	Fund Financial Statements:	
Exhibit 3	Balance Sheet - Governmental Funds	16
Exhibit 3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Exhibit 4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Exhibit 5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Exhibit 6	Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	19
Exhibit 7	Statement of Net Position - Proprietary Funds	20
Exhibit 8	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	21
Exhibit 9	Statement of Cash Flows - Proprietary Funds	22-23
Exhibit 10	Statement of Fiduciary Net Position - Fiduciary Funds	24
	Notes to the Financial Statements	25-67

<u>Exhibit</u>		<u>Page</u>
	Required Supplemental Financial Data:	
A-1	Schedule of County's Proportionate Share of Net Pension Liability (Asset) - Local Governmental Employees' Retirement System	68
A-2	Schedule of County's Contributions - Local Governmental Employees' Retirement System	69
A-3	Schedule of County's Proportionate Share of Net Pension Liability (Asset) - Register of Deeds	70
A-4	Schedule of County's Contributions - Register of Deeds	71
A-5	Schedule of Changes in Total Pension Liability (LEO)	72
A-6	Schedule of Total Pension Liability as a Percentage of Covered Payroll - (LEO)	73
A-7	Schedule of Changes in Total OPEB Liability and Related Ratios	74
	Combining and Individual Fund Statements and Schedules:	
B	Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund - Budget and Actual	75-86
B-1	Schedule of Revenues, Expenditures and Changes in Fund Balances School Construction - Budget and Actual	87
C-1	Combining Balance Sheet - Nonmajor Governmental Funds	88
C-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	89
C-3	Schedule of Revenues, Expenditures, and Changes in Fund Balances Fire Service District Fund - Budget and Actual	90
C-4	Schedule of Revenues, Expenditures, and Changes in Fund Balances Revaluation Fund - Budget and Actual	91
C-5	Schedule of Revenues, Expenditures, and Changes in Fund Balances Emergency Telephone System Fund - Budget and Actual	92
C-6	Schedule of Revenues, Expenditures, and Changes in Fund Balances Morgan Center Project - Budget and Actual	93

<u>Exhibit</u>	<u>Page</u>	
C-7	Schedule of Revenues, Expenditures, and Changes in Fund Balances Capital Reserve - Budget and Actual	94
C-8	Schedule of Revenues, Expenditures, and Changes in Fund Balances CDBG - Mountaire - Budget and Actual	95
C-9	Schedule of Revenues, Expenditures, and Changes in Fund Balances Fire Substation - Budget and Actual	96
D-1	Schedule of Revenues and Expenditures - Budget and Actual - Public Works Fund	97
D-2	Schedule of Revenues and Expenditures - Budget and Actual - Water District I Fund	98
D-3	Schedule of Revenues and Expenditures - Budget and Actual - Water District II Fund	99
E	Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	100-101
Other Schedules		
F	Schedule of Ad Valorem Taxes Receivable	102
F-1	Analysis of Current Tax Levy - County-wide Levy	103
F-2	Secondary Market Disclosures	104
F-3	Ten Largest Taxpayers	105
Compliance Section:		
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	106-107
	Report on Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act	108-110
	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	111-113
	Schedule of Findings and Questioned Costs	114-121
	Schedule of Expenditures of Federal and State Awards	122-124

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, 2018, 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 9.3 percent, 5.6 percent, and 62.97 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, 2018, 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 on pages 4 through 12, 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, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 74, 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 July 16, 2019, 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

July 16, 2019

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, 2018. 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

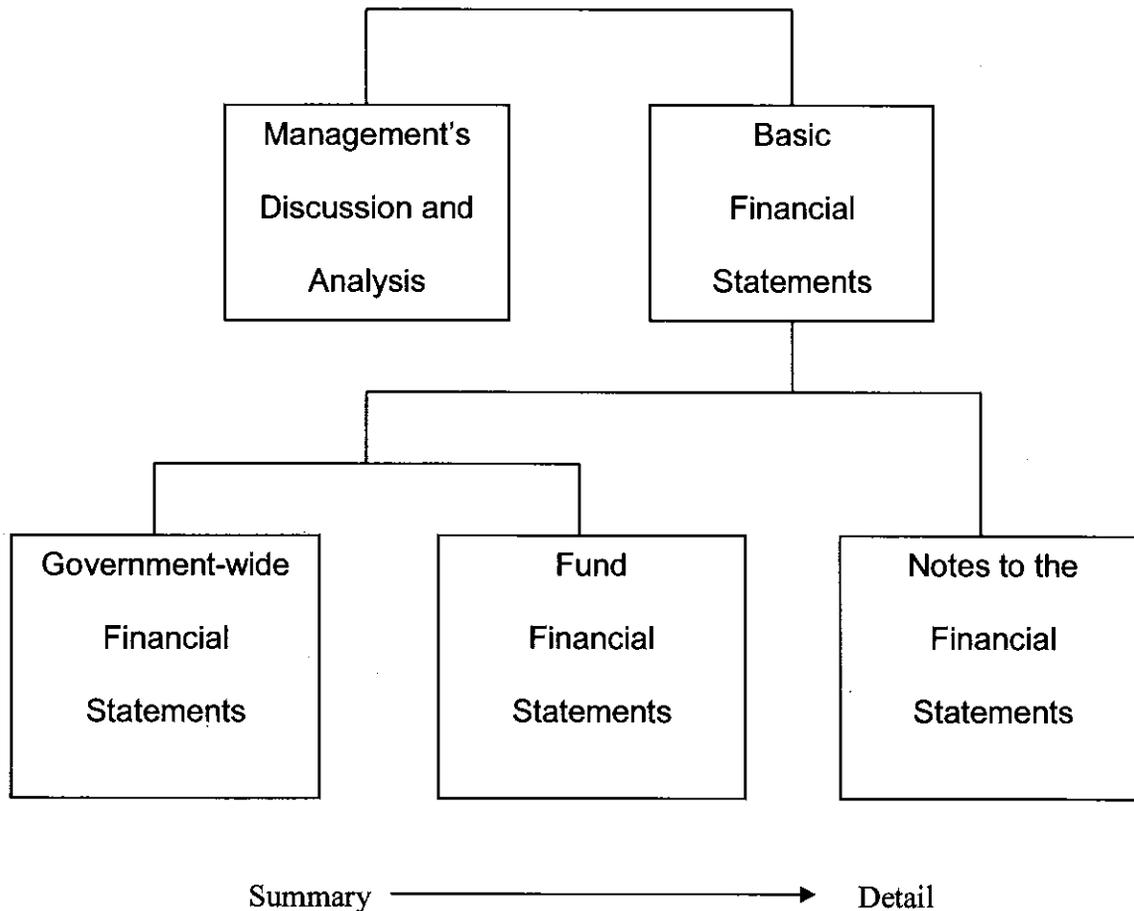
- The liabilities and deferred inflows of resources of Scotland County exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$7,999,382 (*net position, exhibit 1*).
- The government's total net position decreased by \$(6,432,409) primarily due to actuarial liability valuations related to OPEB.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$22,350,721 (*exhibit 3*) an increase of \$7,148,827 in comparison with the prior year. Approximately 44.64 percent of this total amount, or \$9,977,456 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 \$10,327,192 or 25.60 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 68 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 liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$7,999,382 as of June 30, 2018. The County's net position decreased by \$6,432,409 for the fiscal year ended June 30, 2018. One of the largest portions \$13,610,105, (170)% reflects the County's net investments 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 \$10,124,263 (127)% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(31,733,748) (397)% is unrestricted.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 28,711,991	\$ 19,452,300	\$ 2,107,672	\$ 1,569,699	\$ 30,819,663	\$ 21,021,999
Capital assets	12,866,407	9,778,180	8,610,650	8,423,431	21,477,057	18,201,611
Total assets	<u>41,578,398</u>	<u>29,230,480</u>	<u>10,718,322</u>	<u>9,993,130</u>	<u>52,296,720</u>	<u>39,223,610</u>
Total deferred outflows of resources	2,981,982	3,245,836	89,561	133,244	3,071,543	3,379,080
Long-term liabilities outstanding	46,454,243	17,479,564	7,993,226	8,190,399	54,447,469	25,669,963
Other liabilities	3,635,616	1,464,751	520,876	156,558	4,156,492	1,621,309
Total liabilities	<u>50,089,859</u>	<u>18,944,315</u>	<u>8,514,102</u>	<u>8,346,957</u>	<u>58,603,961</u>	<u>27,291,272</u>
Total deferred inflows of resources	4,183,719	193,659	579,963	5,917	4,763,682	199,576
Net position:						
Net investment in capital assets	10,780,814	8,728,181	2,829,291	2,585,931	13,610,105	11,314,112
Restricted	10,124,263	4,212,469	-	-	10,124,263	4,212,469
Unrestricted	(30,618,275)	397,692	(1,115,473)	(812,431)	(31,733,748)	(414,739)
Total net position	<u>\$ (9,713,200)</u>	<u>\$ 13,338,342</u>	<u>\$ 1,713,818</u>	<u>\$ 1,773,500</u>	<u>\$ (7,999,382)</u>	<u>\$ 15,111,842</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 96.16% 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 2,604,114	\$ 3,109,020	\$ 3,869,329	\$ 3,424,929	\$ 6,473,443	\$ 6,533,949
Operating grants and contributions	8,283,004	8,408,980	-	-	8,283,004	8,408,980
General revenues:						
Property taxes	23,081,892	22,827,743	-	-	23,081,892	22,827,743
Local option sales tax	7,369,863	7,087,327	-	-	7,369,863	7,087,327
Other taxes	546,244	439,871	-	-	546,244	439,871
Interest investment earnings	337,697	82,666	117	-	337,814	82,666
Other	818,930	534,157	-	-	818,930	534,157
Total revenues	43,041,744	42,489,764	3,869,446	3,424,929	46,911,190	45,914,693
Expenses:						
General government	2,504,295	2,567,947	-	-	2,504,295	2,567,947
Public safety	9,281,983	9,080,503	-	-	9,281,983	9,080,503
Economic and physical development	2,378,738	2,254,488	-	-	2,378,738	2,254,488
Central services	1,769,047	1,813,340	-	-	1,769,047	1,813,340
Human services	11,205,465	11,967,803	-	-	11,205,465	11,967,803
Cultural and recreation	1,391,120	1,471,247	-	-	1,391,120	1,471,247
Education	11,222,666	11,498,581	-	-	11,222,666	11,498,581
Contribution to local school (construction)	9,451,902	-	-	-	9,451,902	-
Interest on long-term debt	584,048	168,828	-	-	584,048	168,828
Public works-solid waste	-	-	2,024,561	1,650,224	2,024,561	1,650,224
Water district I	-	-	835,073	905,818	835,073	905,818
Water district II	-	-	694,701	677,847	694,701	677,847
Total expenses	49,789,264	40,822,737	3,554,335	3,233,889	53,343,599	44,056,626
Increase (decrease) in net position before transfers	(6,747,520)	1,667,027	315,111	191,040	(6,432,409)	1,858,067
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(6,747,520)	1,667,027	315,111	191,040	(6,432,409)	1,858,067
Net position, beginning, previously reported	13,338,342	12,098,123	1,773,500	1,582,460	15,111,842	13,680,583
Restatement	(16,304,022)	-	(374,793)	-	(16,678,815)	-
Net position, beginning, restated	(2,965,680)	11,671,315	1,398,707	1,582,460	(1,566,973)	13,253,775
Net position ending	\$ (9,713,200)	\$ 13,338,342	\$ 1,713,818	\$ 1,773,500	\$ (7,999,382)	\$ 15,111,842

Governmental activities. Governmental activities decreased the County's net position by \$(6,747,520). The decrease was due to actuarial OPEB liabilities.

Business-type activities: Business-type activities increased Scotland County's net position by \$315,111. The Proprietary Funds had an increase in net position primarily due to controlled costs and increased revenues 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 \$10,930,692, while total fund balance reached \$13,427,934. 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 27.10% of general fund expenditures, while total fund balance represents 33.29% of that same amount.

At June 30, 2018, the governmental funds of Scotland County reported a combined fund balance of \$22,350,721 a 47.02 percent increase over last year. The primary reason for the increase is increase in other financing sources as a result of bond proceeds for school construction.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted revenues by \$2,134,951.

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 \$(2,002,334) and those for the Water District I Fund equaled \$703,704, and those for the Water District II Fund equaled \$183,157. The total change in net position for these funds was \$334,548, \$(18,977) and \$(460), 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, 2018 totals \$21,477,057 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Construction of a fire substation.
- Construction of school wings.
- Rehabilitation of office building.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 676,640	\$ 42,542	\$ 314,334	\$ 314,334	\$ 990,974	\$ 356,876
Construction in progress	2,493,993	30,219	-	283,437	2,493,993	313,656
Buildings and system	5,851,210	6,295,122	7,656,236	7,297,871	13,507,446	13,592,993
Machinery and equipment	1,088,976	1,248,674	51,628	28,158	1,140,604	1,276,832
Vehicles and motorized equipment	2,755,588	2,161,623	588,453	499,631	3,344,041	2,661,254
Total	\$ 12,866,407	\$ 9,778,180	\$ 8,610,651	\$ 8,423,431	\$ 21,477,057	\$ 18,201,611

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, 2018 Scotland County had total bonded debt outstanding of \$22,526,000 all of which is debt backed by the full faith and credit of the County.

Scotland County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 1,646,000	\$ 2,613,000	\$ -	\$ 5,837,501	\$ 1,646,000	\$ 8,450,501
Limited obligation bonds	15,620,000	-	5,260,000	-	20,880,000	-
Installment purchases	1,906,051	2,249,998	-	-	1,906,051	2,249,998
Compensated absences	948,493	859,485	40,153	34,227	988,646	893,712
Net pension liability (LGRS)	2,572,735	3,621,960	107,197	150,914	2,679,932	3,772,874
Total pension liability (LEOSSA)	679,413	627,701	-	-	679,413	627,701
Net OPEB liability	23,081,551	7,507,420	613,352	261,132	23,694,903	7,768,552
Total	\$ 46,454,243	\$ 17,479,564	\$ 6,020,702	\$ 6,283,774	\$ 52,474,945	\$ 23,763,338

Scotland County's total liabilities increased by \$31,312,689 (114.73)% during the past fiscal year, primarily due to the implementation of GASB 75 and the resulting net OPEB liability and issuance of limited obligation bonds.

Scotland County's General obligation and installment debt decreased by \$343,947 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 \$174,578,491.

Additional information regarding Scotland County's long-term debt can be found in Note 7a. beginning on Page 61 of of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

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

- The County's unemployment rate of 7.8% is higher than the State average of 4.1% as of July 2018. However, this is a slight increase from last year's unemployment rates of 7.6% for the County and a slight decrease of 4.5% for the State.
- The County benefited 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 was the recipient of the funds.
- A grant in the amount of \$1.35 million was awarded 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 \$650,000 from NC Railroad was awarded to assist with the railway improvements at LMAC.
- A grant from NC Department of Transportation in the amount of \$162,000 was awarded to assist with the road crossing improvements at the LMAC railway.
- A grant is expected to be awarded from Industrial Development Fund to assist with the construction of a ground storage tank for Edwards Wood Products in the amount of \$575,000.
- A grant from NC Railroad is also anticipated for Edwards Wood Products to construct a railroad spur in the amount of \$450,000.

Budget Highlights for the Fiscal Year Ending June 30, 2019

Governmental Activities: Property taxes are expected to decrease to \$1.00 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 increase approximately 3.4% to \$41,583,561. The largest increments are in employee compensation, including funding compensation and benefits adjustments and capital projects.

Business-type Activities: The water and sewer rates in the County will remain constant for fiscal year 2019.

An availability fee of \$55 and \$85 for the City and County residents, respectively, will remain constant for FY 2019. 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, 2018

	Primary Government			Component Units			
	Governmental Activities	Business- type Activities	Total	Scotland County ABC Board	Scotland Co. Historic Properties Commission	Scotland Co. Tourism Development Authority	Scotland Co. Economic Development Corporation
ASSETS							
Cash and cash equivalents	13,610,096	1,741,317	15,351,413	209,678	18,629	250,422	405,813
Inventory	-	-	-	175,341	-	-	-
Receivables (net):							
Taxes	2,606,663	-	2,606,663	-	-	-	-
Accounts	198,616	232,232	430,848	-	-	94,321	-
Due from other governments	2,453,363	129,861	2,583,224	-	-	-	-
Due (to) from other funds	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	206,722
Prepaid expenses	219,254	4,264	223,518	2,801	-	1,096	-
Restricted cash	9,573,912	-	9,573,912	-	27,085	-	656
Net pension asset (register of deeds)	50,087	-	50,087	-	-	-	-
Capital assets:							
Land; improvements and construction in progress	3,170,633	314,334	3,484,967	-	291,053	-	292,478
Other capital assets, net of depreciation	9,695,774	8,296,316	17,992,090	163,038	376,714	-	3,423,609
Total capital assets	12,866,407	8,610,650	21,477,057	163,038	667,767	-	3,716,087
Total assets	41,578,398	10,718,322	52,296,720	550,858	713,481	345,839	4,329,278
DEFERRED OUTFLOWS OF RESOURCES							
Pension deferrals	2,158,520	85,998	2,244,518	30,761	-	-	-
OPEB deferrals	823,462	3,563	827,025	-	-	-	-
Total deferred outflows of resources	2,981,982	89,561	3,071,543	30,761	-	-	-
LIABILITIES							
Accounts payable and accrued liabilities	3,056,951	520,876	3,577,827	204,047	-	3,091	244,802
Retainage payable	578,665	-	578,665	-	-	-	-
Liabilities to be paid from restricted assets							
Long-term liabilities:							
Due within one year	1,490,859	135,000	1,625,859	-	-	-	542,567
Due in more than one year	44,963,384	7,858,226	52,821,610	169,584	-	-	1,069,649
Total long-term liabilities	46,454,243	7,993,226	54,447,469	169,584	-	-	1,612,216
Total liabilities	50,089,859	8,514,102	58,603,961	373,631	-	3,091	1,857,018
DEFERRED INFLOWS OF RESOURCES							
Prepaid taxes	68,903	-	68,903	-	-	-	-
Prepaid contributions	-	-	-	-	-	-	51,338
Pension deferrals	90,744	3,347	94,091	908	-	-	-
OPEB deferrals	1,786,656	55,257	1,841,913	-	-	-	-
Bond premium (net)	2,237,416	521,359	2,758,775	-	-	-	-
Total deferred inflows of resources	4,183,719	579,963	4,763,682	908	-	-	51,338
NET POSITION							
Net investment in capital assets	10,780,814	2,829,291	13,610,105	163,038	667,767	-	2,103,871
Restricted for:							
Fire protection	1,027,674	-	1,027,674	-	-	-	-
Emergency telephone	42,155	-	42,155	-	-	-	-
Cultural and recreation	-	-	-	-	27,085	-	-
Economic development	6,770,976	-	6,770,976	-	-	-	656
Stabilization by State statute	2,283,458	-	2,283,458	-	-	94,321	-
Working capital	-	-	-	63,747	-	-	-
Unrestricted	(30,618,275)	(1,115,473)	(31,733,748)	(19,705)	18,629	248,427	316,395
Total net position	\$ (9,713,200)	\$ 1,713,818	\$ (7,999,382)	\$ 207,080	\$ 713,481	\$ 342,748	\$ 2,420,922

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, 2018

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	2,504,295	646,681	-	-	(1,857,614)	-	(1,857,614)	-	-	-	-	-
Public safety	9,281,983	1,777,315	-	-	(7,504,668)	-	(7,504,668)	-	-	-	-	-
Economic and physical development	2,378,738	-	-	341,276	(2,037,462)	-	(2,037,462)	-	-	-	-	-
Central service	1,769,047	-	-	-	(1,769,047)	-	(1,769,047)	-	-	-	-	-
Human services	11,205,465	45,106	7,941,728	-	(3,218,631)	-	(3,218,631)	-	-	-	-	-
Cultural and recreational	1,391,120	135,012	-	-	(1,256,108)	-	(1,256,108)	-	-	-	-	-
Education	11,222,666	-	-	-	(11,222,666)	-	(11,222,666)	-	-	-	-	-
Contribution to local school (construction)	9,451,902	-	-	-	(9,451,902)	-	(9,451,902)	-	-	-	-	-
Interest on long-term debt	584,048	-	-	-	(584,048)	-	(584,048)	-	-	-	-	-
Total governmental activities	49,789,264	2,604,114	7,941,728	341,276	(38,902,146)	-	(38,902,146)	-	-	-	-	-
Business-type activities:												
Public Works	2,024,561	2,359,109	-	-	-	334,548	334,548	-	-	-	-	-
Water District Phase I	835,073	816,096	-	-	-	(18,977)	(18,977)	-	-	-	-	-
Water District Phase II	694,701	694,124	-	-	-	(577)	(577)	-	-	-	-	-
	3,554,335	3,869,329	-	-	-	314,994	314,994	-	-	-	-	-
Component units:												
ABC Board	-	-	-	-	-	-	-	(244)	-	-	-	-
Historic Properties	-	-	-	-	-	-	-	-	(18,591)	-	-	-
Scotland County Tourism Development	-	-	-	-	-	-	-	-	-	(318,760)	-	-
Scotland County Economic Development Corp.	-	-	-	-	-	-	-	-	-	-	(780,007)	-
Total component units	-	-	-	-	-	-	-	(244)	(18,591)	(318,760)	(780,007)	-

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, 2018

	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	\$ 23,081,892	\$ -	\$ 23,081,892	\$ -	\$ -	\$ -	\$ -
Local option sales tax	7,369,863	-	7,369,863	-	-	393,471	-
Other taxes and licenses	546,244	-	546,244	-	-	-	-
Investment earnings, unrestricted	337,697	117	337,814	39	322	-	217
Miscellaneous, unrestricted	818,930	-	818,930	205	22,155	-	-
Total general revenues, special items, and transfers	32,154,626	117	32,154,743	244	22,477	393,471	217
Change in net position	(6,747,520)	315,111	(6,432,409)	-	3,886	74,711	(779,790)
Net position, beginning, previously reported	13,338,342	1,773,500	15,111,842	344,582	709,594	268,037	3,200,712
Restatement	(16,304,022)	(374,793)	(16,678,815)	(137,502)	-	-	-
Net position, beginning, restated	(2,965,680)	1,398,707	(1,566,973)	207,080	709,594	268,037	3,200,712
Net position-ending	\$ (9,713,200)	\$ 1,713,818	\$ (7,999,382)	\$ 207,080	\$ 713,480	\$ 342,748	\$ 2,420,922

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, 2018

Exhibit 3

	Major		Non-Major	Total
	General	School Construction	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$12,186,509	\$ 385,626	\$ 1,037,961	\$ 13,610,096
Restricted cash	-	6,952,156	2,621,756	9,573,912
Receivables (net)				
Taxes	2,541,913	-	64,750	2,606,663
Accounts	198,616	-	-	198,616
Due from other governments	1,923,307	103,076	426,980	2,453,363
Due from other funds	230,438	-	(230,438)	-
Prepaid expense	213,784	-	5,470	219,254
Total assets	<u>\$17,294,567</u>	<u>\$ 7,440,858</u>	<u>\$ 3,926,479</u>	<u>\$ 28,661,904</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	1,255,817	1,051,164	749,970	3,056,951
Retainage payable	-	412,534	166,131	578,665
Due to other funds	-	-	-	-
Total liabilities	<u>1,255,817</u>	<u>1,463,698</u>	<u>916,101</u>	<u>3,635,616</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	2,541,913	-	64,750	2,606,663
Prepaid taxes	68,903	-	-	68,903
Total deferred inflows of resources	<u>2,610,816</u>	<u>-</u>	<u>64,750</u>	<u>2,675,566</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	213,784	-	5,470	219,254
Restricted:				
Stabilization by State statute	2,283,458	403,076	85,704	2,772,238
Fire protection	-	-	1,027,674	1,027,674
Emergency telephone	-	-	42,155	42,155
Capital outlay	-	5,574,084	1,196,892	6,770,976
Committed:				
Tax revaluation	-	-	390,650	390,650
Assigned:				
Capital outlay	-	-	546,818	546,818
Subsequent year's appropriation	603,500	-	-	603,500
Unassigned:				
Total fund balances	<u>10,327,192</u>	<u>-</u>	<u>(349,736)</u>	<u>9,977,456</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$17,294,567</u>	<u>\$ 7,440,858</u>	<u>\$ 3,926,478</u>	

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

Total fund balance, governmental funds	22,350,721
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,866,407
Net pension liability (LGERS)	(2,572,735)
Net pension asset - register of deeds	50,087
Other retirement liabilities for (LEO)	(679,413)
Net OPEB liability	(23,081,551)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,082,271
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	76,249
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	823,462
Deferred inflows of resources for taxes and special assessments receivable	2,606,663
Pension related deferrals	(90,744)
OPEB related deferrals	(1,786,656)
Some liabilities, including bonds payable are not due and payable in the current period and therefore not reported in the funds.	(20,120,543)
Bond premium (deferred inflow of resources)	(2,237,416)
Net position of governmental activities	<u>\$ (9,713,200)</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, 2018

	Major		Non-Major	Total
	General Fund	School Project Fund	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 22,519,430	\$ -	\$ 647,110	\$ 23,166,540
Local option sales taxes	7,052,498	-	317,365	7,369,863
Other taxes and licenses	55,206	-	318,467	373,673
Unrestricted intergovernmental	172,571	-	-	172,571
Restricted intergovernmental	7,991,450	-	-	7,991,450
Permits and fees	509,111	-	-	509,111
Sales and services	1,907,709	-	-	1,907,709
Investment earnings	199,034	112,287	26,376	337,697
Fines, forfeitures	137,570	-	-	137,570
Grants	-	-	341,276	341,276
Miscellaneous	240,894	-	-	240,894
Total revenues	40,785,473	112,287	1,650,594	42,548,354
EXPENDITURES				
Current:				
General government	2,297,465	-	-	2,297,465
Public safety	8,559,699	-	580,335	9,140,034
Economic & physical development	2,247,717	-	-	2,247,717
Central service	1,701,017	-	-	1,701,017
Human services	11,043,742	-	-	11,043,742
Cultural and recreational	1,193,622	-	-	1,193,622
School construction	-	9,451,902	-	9,451,902
Other expenditures	179,445	-	73,144	252,589
Intergovernmental:				
Education	11,222,666	-	-	11,222,666
Capital outlay	-	-	2,811,192	2,811,192
Debt service:				
Principal retirement	1,310,948	-	-	1,310,948
Interest	584,048	-	-	584,048
Total expenditures	40,340,369	9,451,902	3,464,671	53,256,942
Excess of revenues over (under) expenditures	445,103	(9,339,615)	(1,814,077)	(10,708,588)
OTHER FINANCING SOURCES (USES)				
Transfers (to) other funds	(244,000)	-	244,000	-
Transfers from other funds	199,848	-	(199,848)	-
Proceeds from bond issuance	-	15,316,775	2,540,641	17,857,416
Total other financing sources (uses)	(44,152)	15,316,775	2,584,793	17,857,416
Net change in fund balance	400,951	5,977,159	770,716	7,148,826
Fund balances - beginning	13,026,983	-	2,174,911	15,201,894
Fund balances - ending	<u>\$ 13,427,934</u>	<u>\$ 5,977,159</u>	<u>\$ 2,945,627</u>	<u>\$ 22,350,720</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, 2018

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

Net changes in fund balances - total governmental funds	\$ 7,148,826
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.	12,573,315
Transfer of school construction in process to local school authority	(9,451,902)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(33,187)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	884,693
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	59,757
Contribution and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	708,273
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(84,648)
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.	(14,309,052)
Effects of bond premium	<u>(2,237,416)</u> (16,546,468)
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>(2,006,178)</u>
Total changes in net position of governmental activities	<u>\$ (6,747,520)</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, 2018

	General Fund				School Project Fund			
	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:								
Ad valorem taxes	\$ 22,056,500	\$ 22,749,010	\$ 22,519,430	\$ (229,580)	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	6,469,655	6,581,795	7,052,498	470,703	-	-	-	-
Other taxes and licenses	60,000	60,000	55,206	(4,794)	-	-	-	-
Unrestricted intergovernmental	180,000	177,000	172,571	(4,429)	-	-	-	-
Restricted intergovernmental	7,674,987	8,279,870	7,991,450	(288,420)	-	-	-	-
Permits and fees	456,150	511,251	509,111	(2,140)	-	-	-	-
Sales and services	1,853,502	2,052,069	1,907,709	(144,360)	-	-	-	-
Investment earnings	40,000	185,000	199,034	14,034	-	-	112,287	112,287
Fines, forfeitures	175,000	175,000	137,570	(37,430)	-	-	-	-
Miscellaneous	623,282	953,032	240,894	(712,138)	-	-	-	-
Total revenues	39,589,076	41,724,027	40,785,473	(938,555)	-	-	112,287	112,287
Expenditures:								
Current:								
General government	2,707,794	2,530,233	2,297,465	232,768	-	-	-	-
Public safety	8,306,388	9,221,845	8,559,699	662,146	-	-	-	-
Economic and physical development	1,579,652	2,266,033	2,247,717	18,316	-	-	-	-
Central services	2,475,294	2,158,936	1,701,017	457,919	-	-	-	-
Human services	11,115,842	12,122,144	11,043,742	1,078,402	-	-	-	-
Cultural and recreational	1,282,710	1,310,920	1,193,622	117,298	-	-	-	-
School construction	-	-	-	-	13,380,000	13,380,000	9,451,902	3,928,098
Other expenditures	170,538	179,447	179,445	2	-	-	-	-
Intergovernmental:								
Education	10,969,897	11,267,225	11,222,666	44,559	-	-	-	-
Debt service:								
Principal retirement	1,310,948	1,310,948	1,310,948	-	-	-	-	-
Interest	210,013	274,024	584,048	(310,024)	-	-	-	-
Total expenditures	40,129,076	42,641,755	40,340,369	2,301,386	13,380,000	13,380,000	9,451,902	3,928,098
Excess of revenues over (under) expenditures	(540,000)	(917,728)	445,103	1,362,831	(13,380,000)	(13,380,000)	(9,339,615)	4,040,385
Other financing sources (uses):								
Transfers (to) other funds	(100,000)	(244,000)	(244,000)	-	-	-	-	-
Transfers from other funds	-	200,000	199,848	(152)	-	-	-	-
Proceeds from bond issuance	-	-	-	-	13,380,000	13,380,000	15,316,775	1,936,775
Total other financing sources (uses)	(100,000)	(44,000)	(44,152)	(152)	13,380,000	13,380,000	15,316,775	1,936,775
Appropriated fund balance	640,000	961,728	-	(961,728)	-	-	-	-
Net change in fund balance	\$ -	\$ -	400,950	\$ 400,950	\$ -	\$ -	5,977,160	\$ 5,977,160
Fund balances - beginning			13,026,983					
Fund balances - ending			\$ 13,427,933				\$ 5,977,160	

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, 2018

	Enterprise Funds			Total
	Public Works Fund	Blended Component Units		
		Water District I Fund	Water District II Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 421,976	\$ 908,545	\$ 410,796	\$ 1,741,317
Accounts receivable, net	78,830	70,237	83,165	232,232
Prepays	824	3,440	-	4,264
Due from other governments	19,554	66,671	43,636	129,861
Total current assets	<u>521,184</u>	<u>1,048,893</u>	<u>537,597</u>	<u>2,107,674</u>
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	314,334	-	-	314,334
Other capital assets, net of depreciation	740,410	2,282,026	5,273,880	8,296,316
Total capital assets	<u>1,054,744</u>	<u>2,282,026</u>	<u>5,273,880</u>	<u>8,610,650</u>
Total assets	<u>1,575,928</u>	<u>3,330,919</u>	<u>5,811,477</u>	<u>10,718,322</u>
Deferred outflows of resources				
Pension deferrals	64,499	21,499	-	85,998
OPEB deferrals	2,375	1,188	-	3,563
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	81,408	85,028	354,440	520,876
General obligation bonds payable	-	50,000	85,000	135,000
Total current liabilities	<u>81,408</u>	<u>135,028</u>	<u>439,440</u>	<u>655,876</u>
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,972,524	-	-	1,972,524
Compensated absences payable	36,638	3,515	-	40,153
Net pension liability	80,398	26,799	-	107,197
Net OPEB liability	380,074	233,278	-	613,352
General obligation bonds payable	-	1,260,000	3,865,000	5,125,000
Total noncurrent liabilities	<u>2,469,634</u>	<u>1,523,592</u>	<u>3,865,000</u>	<u>7,858,226</u>
Total liabilities	<u>2,551,042</u>	<u>1,658,620</u>	<u>4,304,440</u>	<u>8,514,102</u>
Deferred inflows of resources				
Pension deferrals	2,510	837	-	3,347
OPEB deferrals	36,838	18,419	-	55,257
Bond premium	-	190,160	331,199	521,359
NET POSITION				
Net investment in capital assets	1,054,744	781,866	992,681	2,829,291
Unrestricted	<u>(2,002,334)</u>	<u>703,704</u>	<u>183,157</u>	<u>(1,115,473)</u>
Total net position	<u>\$ (947,590)</u>	<u>\$ 1,485,570</u>	<u>\$ 1,175,838</u>	<u>\$ 1,713,818</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, 2018

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District I Fund	Water District II Fund	
Operating revenues:				
Charges for services	\$ 1,231,086	\$ 816,096	\$ 694,124	\$ 2,741,306
Availability fees	1,008,794	-	-	1,008,794
Other operating revenues	3,213	-	-	3,213
Total operating revenues	<u>2,243,093</u>	<u>816,096</u>	<u>694,124</u>	<u>3,753,313</u>
Operating expenses:				
Water purchases	-	356,341	174,221	530,562
Water operations	-	265,113	83,094	348,207
Landfill operations	1,833,667	-	-	1,833,667
Landfill closure and postclosure care costs	65,898	-	-	65,898
Depreciation	124,996	125,495	198,768	449,259
Total operating expenses	<u>2,024,561</u>	<u>746,949</u>	<u>456,083</u>	<u>3,227,593</u>
Operating income	218,532	69,147	238,041	525,720
Nonoperating revenues (expenses):				
Solid waste disposal tax	15,147	-	-	15,147
Scrap tire disposal tax	47,802	-	-	47,802
White goods disposal tax	22,912	-	-	22,912
Surplus property	30,155	-	-	30,155
Bond issuance costs	-	(22,208)	(66,963)	(89,171)
Interest income	-	-	117	117
Interest (expense)	-	(65,916)	(171,655)	(237,571)
Total nonoperating revenues (expenses)	<u>116,016</u>	<u>(88,124)</u>	<u>(238,501)</u>	<u>(210,609)</u>
Income (loss) before transfers	334,548	(18,977)	(460)	315,111
Transfers (to) from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	334,548	(18,977)	(460)	315,111
Total net position - beginning	(1,144,624)	1,741,826	1,176,298	1,773,500
Net position-beginning, restated	<u>(1,282,138)</u>	<u>1,504,547</u>	<u>1,176,298</u>	<u>1,398,707</u>
Total net position - ending	<u>\$ (947,590)</u>	<u>\$ 1,485,570</u>	<u>\$ 1,175,838</u>	<u>1,713,818</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, 2018

	Business-type Activities Enterprise Funds			Total
	Public Works Fund	Water District I Fund	Water District II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,221,190	\$ 795,811	\$ 660,128	\$ 3,677,129
Cash paid for goods and services	(1,230,682)	(535,424)	(243,017)	(2,009,123)
Cash paid to or on behalf of employees for services	(480,924)	(4,430)	-	(485,354)
Net cash provided by operating activities	509,584	255,957	417,111	1,182,652
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
None	-	-	-	-
Total cash flows provided by financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(240,954)	-	(41,085)	(282,039)
Interest paid on bond maturities and equipment contracts	-	(65,916)	(171,655)	(237,571)
Bond issuance costs	-	(22,208)	(66,963)	(89,171)
Refunding bonds issued	-	1,500,160	4,281,199	5,781,359
Payment to refunded bond agent	-	(1,500,160)	(4,281,199)	(5,781,359)
Principal paid on bond maturities and equipment contracts	-	(51,500)	(95,000)	(146,500)
Net cash (used in) capital and related financing activities	(240,954)	(139,624)	(374,703)	(755,281)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash from surplus property	30,155	-	-	30,155
Net increase in cash and cash equivalents	298,785	116,333	42,408	457,526
Balances - beginning of the year	123,190	792,212	368,388	1,283,790
Balances - end of the year	<u>\$ 421,976</u>	<u>\$ 908,545</u>	<u>\$ 410,796</u>	<u>\$ 1,741,317</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, 2018

	Business-type Activities			Total
	Enterprise Funds			
	Public Works Fund	Water District I Fund	Water District II Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 218,532	\$ 69,147	\$ 238,041	\$ 525,720
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	124,996	125,495	198,768	449,259
Provision for uncollectible accounts	1,432	1,619	451	3,502
Landfill closure and postclosure care costs	65,898	-	-	65,898
Changes in assets, liabilities and deferred outflows and inflows of resources:				
(Increase) in accounts receivable	(23,334)	(14,714)	(34,448)	(72,496)
(Increase) in prepaid items	(824)	(3,440)	-	(4,264)
Decrease in deferred outflows of resources - pensions	35,434	11,812	-	47,246
(Increase) in deferred outflows of resources - OPEB	(2,375)	(1,188)	-	(3,563)
(Decrease) in net OPEB liability	(15,049)	(7,524)	-	(22,573)
(Decrease) in net pension liability	(32,788)	(10,929)	-	(43,717)
(Decrease) in deferred inflows of resources - pensions	(1,928)	(642)	-	(2,570)
Increase in deferred inflows of resources-OPEB	36,838	18,419	-	55,257
Increase in accounts payable and accrued liabilities	95,904	68,823	14,299	179,026
Increase (decrease) in accrued vacation pay	6,848	(921)	-	5,927
Total adjustment	291,052	186,810	179,070	656,932
Net cash provided by operating activities	\$ 509,584	\$ 255,957	\$ 417,111	\$ 1,182,652

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, 2018

Assets	
Cash and cash equivalents	<u>364,457</u>
Liabilities	
Miscellaneous liabilities	<u>364,457</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, 2018

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 funds:

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.

School Construction Fund. This fund accounts for the construction of school wings.

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 seven legally budgeted funds. Fire Service District Fund, Revaluation Fund, Emergency Telephone System Fund, Capital Reserve Fund, CDBG Mountaire Project Fund, and the Fire Substation Fund are reported as nonmajor special revenue funds. The Morgan Center Project Fund is reported as capital project fund.

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

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

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

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

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

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

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

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

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

C. Budgetary Data

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

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

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

1. Deposits and Investments

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

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

The 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 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

The unexpended bond proceeds of the Morgan Center Project Fund (nonmajor fund) and the School Construction Fund (major) are restricted for the purpose of construction in those funds. Cash in the Fire Service District Fund (nonmajor) is restricted for fire protection activities within the fire district. Cash in the Emergency Telephone System Fund (nonmajor) is restricted for emergency telecommunications.

Scotland County Restricted Cash

Governmental Activities:	
School Construction Fund	6,952,156
Morgan Center Fund	1,461,099
Fire Service District Fund	1,028,163
Emergency Telephone System Fund	<u>132,494</u>
Total Restricted Cash	<u>9,573,912</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.

-Restricted for Emergency Telephone System Fund.

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"), and one other post employment benefit plan (OPEB), and the Healthcare Benefits Plan (HCB). 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. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans 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 \$(32,063,920) 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)	\$ 25,181,513
Less accumulated depreciation	<u>(12,315,106)</u>
Net capital assets	12,866,407
Net pension asset	50,087
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,082,271
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	76,249
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	823,462
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	2,606,662
Deferred inflows of resources for bond premiums net of accumulated amortization	(2,237,416)
Pension related deferrals	(90,744)
OPEB related deferrals	(1,786,656)
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	(19,172,050)
Compensated absences	(948,493)
Net pension liability	(2,572,735)
Net OPEB liability	(23,081,551)
Total pension liability (LEOSSA)	<u>(679,413)</u>
Total adjustment	<u>\$ (32,063,920)</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 \$(13,896,346) is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities.	\$ 13,667,736
Transfer of construction in process to local school authority-school construction project	(9,451,902)
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.	(1,094,422)
Cost of capital asset disposed of during the year, not recognized on modified accrual.	(33,187)
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.	1,310,948
New debt, issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities- it affects only the government-wide statements of net position	(15,620,000)
Bond premium on new debt issuance (deferred inflow of resources)	(2,237,416)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	884,693
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	59,757
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	708,273
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	(89,007)
OPEB expense	(941,576)
Pension expense	(975,595)
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	(84,648)
Total adjustment	<u>\$ (13,896,346)</u>

II. Stewardship, Compliance, and Accountability

A. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2018, expenditures made in the General 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 material weakness 2018-001 on Page 116.

Late Submission of Audited Financial Statements and AFIR

The County was significantly late submitting its annual independent audit in accordance with LGC-205 (Contract to Audit Accounts) and G.S. 159-34 of the Local Government Budget and Fiscal Control Act. The Local Government Commission requires audited financial statements and the AFIR to be submitted within four months of the fiscal year end. See material weakness 2018-002.

Accounts Not Accurately Reconciled on Time

In accordance with G.S. 159-25 (a)(1), asset and liability accounts were not accurately reconciled on a timely basis. Cash, fixed assets and various account payable accounts were not accurate at time of the audit and required material corrections. See material weakness 2018-003.

Late Submission of Data Collection Form

The Uniform Guidance requires that the data collection form be submitted the earlier of 30 days after receipt of the audited financial statements or nine months after the Organization's fiscal year end. The County failed to meet this requirement. See significant deficiency 2018-004.

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, 2018, the County's deposits had a carrying amount of \$25,287,157 and a bank balance of \$25,559,580. Of the bank balance \$250,000 was covered by federal depository insurance, and \$424,063 in non-interest bearing deposits and \$24,885,517 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2018, Scotland County had \$2,625 cash on hand.

At June 30, 2018, the carrying amount of deposits for Scotland County ABC Board was \$207,590 and the bank balance was \$187,953. All of the bank balance was covered by federal depository insurance. Of the bank balance \$111,900 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2018, the carrying amount of deposits for Scotland Co. Historic Properties Comm. was \$38,713 and the bank balance was \$38,821. All of the bank balance was covered by federal depository insurance.

At June 30, 2018, the carrying amount of deposits for Scotland Co. Tourism Dev. Authority was \$250,422 and the bank balance was \$264,965. Of the bank balance \$111,900 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2018, the carrying amount of deposits for Scotland Co. Economic Dev. Corporation was \$406,469 and the bank balance was \$402,259. Of the bank balance \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2018, the County had the following investments and maturities:

Investment By Type	Valuation Measurement Method	Fair Value	Less than 6 Months
NC Capital Management Trust-Government Portfolio	Amortized Cost	13,584,512	N/A
NC Capital Management Trust-Term Portfolio*	Fair Value Level 1	2,057,347	2,057,347
Total:		\$ 15,641,859	\$ 2,057,347

*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, 2018. 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>
2015	836,695	198,715	1,035,410
2016	826,735	121,943	948,678
2017	806,413	46,369	852,782
2018	816,805	-	816,805
Totals	<u>3,286,648</u>	<u>367,027</u>	<u>3,653,675</u>

4. Receivables

Receivables at the government-wide level at June 30, 2018, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from other Governments	Total
Governmental activities:				
General	\$ 198,616	\$ 2,675,698	\$ 1,923,307	\$ 4,797,621
Other governmental	-	64,750	530,056	594,806
Total receivables	198,616	2,740,448	2,453,363	5,392,427
Allowance for doubtful accounts	-	(133,785)	-	(133,785)
Total - governmental activities	\$ 198,616	\$ 2,606,663	\$ 2,453,363	\$ 5,258,642
Business-type activities:				
Public works	\$ 82,978	\$ -	\$ 19,554	\$ 102,532
Water district I	78,918	-	66,671	145,589
Water district II	88,516	-	43,636	132,152
Total receivables	250,412	-	129,861	380,273
Allowance for doubtful accounts	(18,180)	-	-	(18,180)
Total - business-type activities	\$ 232,232	\$ -	\$ 129,861	\$ 362,093

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

Local option sales tax/sales tax refunds	\$ 2,453,363
Due from local government/City of Laurinburg	110,308
	<u>\$ 2,563,671</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 42,542	\$ 634,098	\$ -	\$ 676,640
Construction in progress	30,219	11,915,676	9,451,902	2,493,993
Total capital assets not being depreciated	72,761	12,549,774	9,451,902	3,170,633
Capital assets being depreciated:				
Buildings & improvements	12,289,284	20,048	-	12,309,332
Equipment and furniture	2,718,870	102,587	-	2,821,457
Vehicles and motorized equipment	5,942,063	995,328	57,300	6,880,091
Total capital assets being depreciated	20,950,217	1,117,963	57,300	22,010,880
Less accumulated depreciation for:				
Buildings & improvements	5,994,162	463,960	-	6,458,122
Equipment and furniture	1,470,196	262,285	-	1,732,481
Vehicles and motorized equipment	3,780,440	368,176	24,113	4,124,503
Total accumulated depreciation	11,244,798	1,094,421	24,113	12,315,106
Total capital assets being depreciated, net	9,705,419			9,695,774
Governmental activity capital assets, net	\$ 9,778,180			\$ 12,866,407

Primary Government

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

General government	\$ 150,297
Public safety	584,630
Central service	67,909
Human services	126,151
Economic and physical development	5,486
Cultural and recreational	159,948
Total depreciation expense	<u>\$ 1,094,421</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	351,866	14,881	-	366,747
Equipment and furniture	67,443	23,140	-	90,583
Vehicles and motorized equipment	1,727,030	202,933	214,883	1,715,081
Total capital assets being depreciated	<u>3,013,526</u>	<u>240,954</u>	<u>214,883</u>	<u>3,039,598</u>
Less accumulated depreciation for:				
Buildings	855,298	4,939	-	\$ 860,237
Improvements	261,864	7,135	-	268,999
Equipment and furniture	39,285	4,037	-	43,322
Vehicles and motorized equipment	1,232,626	108,885	214,883	1,126,628
Total accumulated depreciation	<u>2,389,073</u>	<u>\$ 124,996</u>	<u>\$ 214,883</u>	<u>2,299,187</u>
Total capital assets being depreciated, net	<u>624,453</u>			<u>740,411</u>
Landfill capital assets, net	<u>\$ 938,787</u>			<u>\$ 1,054,745</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	227,996	-	4,757,446
Furniture and maintenance equipment	8,592	-	-	8,592
Total capital assets being depreciated	<u>4,538,042</u>	<u>227,996</u>	<u>-</u>	<u>4,766,038</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,355,152	124,636	-	2,479,788
Furniture and maintenance equipment	3,365	859	-	4,224
Total accumulated depreciation	<u>2,358,517</u>	<u>\$ 125,495</u>	<u>\$ -</u>	<u>2,484,012</u>
Total capital assets being depreciated, net	<u>2,179,525</u>			<u>2,282,026</u>
Scotland County Water District I capital assets, net	<u>\$ 2,407,521</u>			<u>\$ 2,282,026</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	450,966	-	7,800,406
Total capital assets being depreciated	<u>7,349,440</u>	<u>450,966</u>	<u>-</u>	<u>7,800,406</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,327,758	198,768	-	2,526,526
Total accumulated depreciation	<u>2,327,758</u>	<u>\$ 198,768</u>	<u>\$ -</u>	<u>2,526,526</u>
Total capital assets being depreciated, net	5,021,682			5,273,880
Scotland County Water District II capital assets, net	<u>5,077,123</u>			<u>5,273,880</u>
Business-type activities capital assets, net	<u>\$ 8,423,431</u>			<u>\$ 8,610,651</u>

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	324,977	-	-	324,977
Furniture and equipment	49,707	-	-	49,707
Total capital assets being depreciated	374,684	-	-	374,684
Less accumulated depreciation for:				
Buildings	176,376	9,597	-	185,973
Furniture & equipment	44,393	280	-	44,673
Total accumulated depreciation	220,769	9,877	-	230,646
Total capital assets being depreciated, net	153,915			144,038
Capital assets, net	<u>\$ 172,915</u>			<u>\$ 163,038</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 215,000	\$ -	\$ -	\$ 215,000
Artifacts	71,053	-	-	71,053
Historic buildings	5,000	-	-	5,000
Total capital assets not being depreciated	291,053	-	-	291,053
Capital assets being depreciated:				
Buildings	535,838	38,035	-	573,873
Furniture and equipment	226,738	-	-	226,738
Total capital assets being depreciated	762,576	38,035	-	800,611
Less accumulated depreciation for:				
Buildings	248,997	17,271	-	266,268
Equipment	148,548	9,080	-	157,628
Total accumulated depreciation	397,545	26,351	-	423,896
Total capital assets being depreciated, net	365,031			376,715
Commission capital assets, net	<u>\$ 656,084</u>			<u>\$ 667,768</u>

Activity for the Scotland County Economic Development Corporation for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,950,452	\$ -	\$ -	\$ 1,950,452
Construction in progress	-	292,478	-	292,478
Total capital assets not being depreciated	1,950,452	292,478	-	2,242,930
Capital assets being depreciated:				
Buildings	1,626,919	-	-	1,626,919
Furniture and equipment	39,343	-	-	39,343
Total capital assets being depreciated	1,666,262	-	-	1,666,262
Less accumulated depreciation for:				
Buildings	141,037	-	-	141,037
Furniture & equipment	12,977	-	-	12,977
Total accumulated depreciation	154,014	-	-	154,014
Total capital assets being depreciated, net	1,512,248			1,512,248
Capital assets, net	<u>\$ 3,462,700</u>			<u>\$ 3,755,178</u>

The Scotland County Tourism Development Authority has no fixed assets.

B. Liabilities

1. Payables & Accrued Liabilities

Payables at the government-wide level at June 30, 2018 were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental activities:				
General	\$ 1,491,347	\$ 1,661,456	\$ -	\$ 3,152,803
Other governmental	852,641	-	-	852,641
Total - governmental activities	<u>\$ 2,343,988</u>	<u>\$ 1,661,456</u>	<u>\$ -</u>	<u>\$ 4,005,444</u>
Business-type activities:				
Public works	\$ 60,454	\$ 57,592	\$ -	\$ 118,046
Water and sewer districts	437,628	5,355	-	442,983
Total - business-type activities	<u>\$ 498,082</u>	<u>\$ 62,947</u>	<u>\$ -</u>	<u>\$ 561,029</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$910,433 for the year ended June 30, 2018. Contributions to the pension plan from the ABC Board were \$14,251 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, 2018, the County reported a liability of \$2,679,932 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County’s proportion was .175%, which was an increase of .002% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$934,403. At June 30, 2018, 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	154,389	75,860
Changes in assumptions	382,731	-
Net difference between projected and actual earnings on pension plan investments	650,690	-
Changes in proportion and differences between contributions and proportionate share of contributions	51,704	7,816
Employer contributions subsequent to the measurement Date	<u>910,433</u>	<u>-</u>
Total	<u>2,149,947</u>	<u>83,676</u>

\$910,433 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 159,995
2020	799,092
2021	396,293
2022	(199,542)
2023	-
Thereafter	<u>1,155,838</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 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, 2017 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	6.0%	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 7.20%. 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 7.20 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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease <u>(6.20%)</u>	Current Discount Rate (7.20%)	1% Increase <u>(8.20%)</u>
County's proportionate share of the net pension liability (asset)	8,045,216	2,679,932	(1,798,387)

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	6
Active plan members	<u>38</u>
Total	<u>44</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, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 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 \$59,334 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, 2018, the County reported a total pension liability of \$679,413. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$63,156.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 18,707	\$ -
Changes of assumptions	27,875	7,869
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>29,667</u>	<u>-</u>
Total	<u>\$76,249</u>	<u>\$ 7,869</u>

The County paid \$29,667 in benefit payments and \$327 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	8,322
2020	8,322
2021	8,322
2022	8,322
2023	5,425
Thereafter	-

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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1 % Decrease <u>(2.16%)</u>	Discount Rate (3.16%)	1% Increase <u>(4.16%)</u>
Total pension liability	\$725,099	\$679,413	\$637,307

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

	<u>2018</u>
Beginning balance	\$627,701
Service cost	31,096
Interest on the total pension liability	23,084
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	22,837
Changes of assumptions or other inputs	34,029
Benefit payments	(59,334)
Other changes	-
Ending balance of the total pension liability	<u>679,413</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.86 percent at June 30, 2016 to 3.16 percent at June 30, 2017.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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, 2016 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 \$83,237 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, 2018, 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, 2018 were \$397,567, which consisted of \$171,373 from the County and \$226,194 from the employees. The County's contributions and the employees' voluntary contributions represented 2 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, 2018, 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, 2018 was \$26,133.

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 \$2,384 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$50,087 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was .29%, which was a decrease of .02% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$7,119. At June 30, 2018, 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	860	161
Changes of assumptions	8,451	-
Net difference between projected and actual earnings on pension plan investments	4,258	-
Changes in proportion and differences between county contributions and proportionate share of contributions	2,369	2,385
County contributions subsequent to the measurement date	<u>2,384</u>	<u>-</u>
Total	<u>18,322</u>	<u>2,546</u>

\$2,384 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, 2019. Other amounts reported as deferred inflows of resources related to pension expense as follows:

Year ended June 30:

2019	7,196
2020	4,623
2021	487
2022	1,086
2023	-
Thereafter	<u>-</u>
	<u>13,392</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 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, 2016 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, 2017 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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)	(39,368)	(50,087)	(59,102)

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.

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

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	2,679,943	(50,087)	-	2,629,845
Proportion of the Net Pension Liability (Asset)	.17542%	(.29344)%	N/A	-
Total Pension Liability	-	-	679,413	679,413
Pension Expense	934,403	7,119	63,156	1,004,678

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	154,389	860	18,707	173,956
Changes of assumptions	382,731	8,451	27,875	419,057
Net difference between projected and actual earnings on pension plan investments	650,690	4,258	-	654,948
Changes in proportion and differences between County contributions and proportionate share of contributions	51,704	2,369	-	54,073
County contributions (LGERS, ROD)/ benefit payments and administration costs (LEOSSA) subsequent to the measurement date	910,433	2,384	29,667	942,484
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	75,860	161	-	76,021
Changes of assumptions	-	-	7,869	7,869
Changes in proportion and differences between County contributions and proportionate share of contributions	7,816	2,384	-	10,200

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.

Plan membership. At June 30, 2017 and June 30, 2018, the HCB Plan membership consisted of the following:

	<u>2017</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefit payments	114	126
Active plan members	<u>284</u>	<u>306</u>
	<u>398</u>	<u>432</u>

Total OPEB Liability

The County's total OPEB liability of \$23,694,903 was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Medical – 7.5%
	Prescription – 7.5%
	Admin Expenses - 3%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	25,173,015
Changes for the year	
Service cost	551,425
Interest	746,868
Changes of benefit terms	-
Differences between expected and actual experience	141,329
Changes in assumptions or other inputs	(2,192,086)
Benefit payments	(725,648)
Net changes	(1,478,112)
Total OPEB liability as of June 30, 2017	<u>23,694,903</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.01% to 3.56%.

Mortality rates were based on the RP-2014 Total Data Set for Health Annuitants Mortality Tables with adjustments for LGERS experience and generational mortality improvement using Scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent or 1-percentage-point higher (4.56 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase</u>
Net OPEB liability	27,908,199	23,694,903	20,358,115

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>(Medical-6.5%, Prescription-6.5%, Admin Expenses- 2%)</u>	<u>Discount Rate (Medical-7.5%, Prescription 7.5%, Admin Expenses 3%)</u>	<u>(Medical – 8.5%, Prescription-8.5%, Admin Expenses 4%)</u>
Net OPEB liability	20,277,897	23,694,903	28,003,427

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the County recognized OPEB expense of \$970,697. At June 30, 2018, the County reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	118,752	-
Changes of assumptions or other inputs	-	(1,841,913)
Benefit payments and administrative costs made subsequent to the measurement date	<u>708,273</u>	<u>-</u>
Total	<u>827,025</u>	<u>(1,841,913)</u>

\$708,273 reported as deferred outflows of resources related to OPEB resulting from County contributions made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	327,596
2020	327,596
2021	327,596
2022	327,596
2023	327,596
Thereafter	85,181

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 \$1,972,524 reported as landfill closure and postclosure care liability at June 30, 2018 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 \$1,515,659 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 2018. 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
Bond premiums	-	2,758,775
Pensions - OPEB difference between expected and actual experience	292,708	1,917,934
Pensions - OPEB difference between projected and actual investment earnings	654,948	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	54,073	10,200
Pensions, OPEB - change in assumptions	419,057	7,869
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	942,484	-
Benefit payments for the OPEB plan paid subsequent to measurement date	708,273	-
Prepaid taxes not yet earned (General)	-	68,903
Taxes receivable, net, less penalties (General)	-	2,606,663
Total	<u>3,071,543</u>	<u>7,370,344</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, 2018 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) 741,000

\$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) 905,000

Total 1,646,000

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 900,000

\$1,161,713 Guaranteed Energy Savings Contract first payment due November 7, 2014 in annual installments through November 7, 2030. Interest is 3.75% but reimbursed with tax credits 1,006,051

Total 1,906,051

c. Limited Obligation Bonds

\$13,380,000 Laurel Hill Elementary and Sycamore Lane Elementary Expansions First payment due December 1, 2018 in installments of \$75,000 to \$820,000 through December 1, 2037. Interest rates vary from 3.00% to 5.00%. 13,380,000

\$2,240,000 Morgan Center Renovation First payment due December 1, 2018 in installments of \$110,000 to \$115,000 through December 1, 2037. Interest rates vary from 3.00% to 5.00%. 2,240,000

Total 15,620,000

TOTAL – GENERAL FUND 19,172,051

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

Water District Bonds outstanding at June 30, 2018 in the amount of \$5,260,000 are obligations of the water district, a blended component unit of the County and are not obligations of the County. In October 2017, the Water Districts refinanced the outstanding debt in order to reduce interest expense. Interest rates vary over the duration of the bonds from 3.125% to 5.0%. Payments and due dates on this debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	135,000	222,681
2020	140,000	216,481
2021	145,000	209,356
2022	155,000	201,856
2023	170,000	193,731
2024-2028	955,000	833,281
2029-2033	1,195,000	563,281
2034-2038	1,295,000	284,097
2039-2043	<u>1,070,000</u>	<u>88,931</u>
 TOTAL	 <u>\$ 5,260,000</u>	 <u>\$2,813,695</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>
2019	953,000	57,958
2020	<u>693,000</u>	<u>25,099</u>
Total	<u>\$ 1,646,000</u>	<u>\$ 83,057</u>

At June 30, 2018, Scotland County had a legal debt margin of \$174,578,491.

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, 2018, including \$97,560 of interest are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	300,000	48,780
2020	300,000	32,520
2021	300,000	16,260
Total	<u>\$ 900,000</u>	<u>\$ 97,560</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
2019	47,859	37,727
2020	51,478	35,932
2021	55,796	34,002
2022	60,340	31,909
2023	65,120	29,647
2024-2028	406,360	107,685
2029-2031	319,098	24,462
Total	<u>\$ 1,006,051</u>	<u>\$ 301,364</u>

Limited Obligation Bonds:

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	115,000	100,575
2020	115,000	95,400
2021	115,000	89,650
2022	115,000	83,900
2023	115,000	78,150
2024-2028	560,000	307,125
2029-2033	555,000	166,500
2034-2038	550,000	45,513
Total	<u>\$ 2,240,000</u>	<u>\$ 966,813</u>

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	75,000	618,256
2020	115,000	613,881
2021	790,000	591,256
2022	810,000	551,256
2023	820,000	510,506
2024-2028	4,100,000	1,937,531
2029-2033	3,325,000	1,009,406
2034-2038	3,345,000	276,453
Total	<u>\$ 13,380,000</u>	<u>\$ 6,108,545</u>

Debt related to capital activities - of the total governmental activities debt listed, only \$3,246,051 relates to assets the County holds title to.

In fiscal 2018, Scotland County issued a limited obligation bond in the total amount of \$23,638,775.45 which includes \$2,758,775.34 of bond premiums. Water Districts I and II were refinancing - refunding arrangements. Details of the bond issuance are as follows:

	School Project Fund	Morgan Center Project Fund	Water District I	Water District II	Total
Bond Proceeds	13,380,000.00	2,240,000.00	1,310,000.00	3,950,000.00	20,880,000.00
Net Premium	<u>1,936,775.35</u>	<u>300,641.10</u>	<u>190,159.75</u>	<u>331,199.25</u>	<u>2,758,775.45</u>
	<u>15,316,775.35</u>	<u>2,540,641.10</u>	<u>1,500,159.75</u>	<u>4,281,199.25</u>	<u>23,638,775.45</u>

Bond premiums are amortized over the life of the bonds using the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums as well as bond issuance costs during the current period. The face amount of debt issued is reported as an "other financing source". Premiums received on debt issuances are reported as "other financing sources". Amortization of the bond premiums will begin in fiscal 2019.

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, 2018.

	Beginning Balance, Restated	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 2,613,000	\$ -	\$ 967,000	\$ 1,646,000	\$ 953,000
Limited obligation debt	-	\$15,620,000	-	15,620,000	190,000
Installment financing	2,249,998	-	343,947	1,906,051	347,859
Compensated absences	859,485	533,619	444,611	948,493	-
Total OPEB liability	24,537,090	-	1,455,539	23,081,551	-
Net pension liability (LGERS)	3,621,960	-	1,049,225	2,572,735	-
Total pension liability-(LEO)	627,701	51,712	-	679,413	-
Total governmental activities	\$ 34,509,234	\$16,205,331	\$ 4,260,322	\$46,454,243	\$ 1,490,859
Business-type activities:					
Water and sewer districts					
General obligation debt	\$ 5,837,501	\$ -	\$ 5,837,501	\$ -	\$ -
Limited obligation bonds	-	5,260,000	-	5,260,000	135,000
Compensated absences	4,436	1,384	2,305	3,515	-
Net pension liability (LGERS)	37,728	-	10,928	26,800	-
Net OPEB liability	240,802	-	7,524	233,278	-
Total water and sewer activities	6,120,467	5,261,384	5,858,258	5,523,593	135,000
Landfill					
Accrued landfill closure and postclosure care costs	1,906,626	65,898	-	1,972,524	-
Compensated absences	29,791	23,880	17,032	36,639	-
Net pension liability (LGERS)	113,186	-	32,788	80,398	-
Net OPEB liability	395,123	-	15,049	380,074	-
Total landfill activities	2,444,726	89,778	64,869	2,469,635	-
Total business-type activities	\$ 8,565,193	\$ 5,351,162	\$ 5,923,127	\$ 7,993,228	\$ 135,000

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

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2018, consist of the following:

From the General Fund to the:

Revaluation Fund to finance various revaluation expenditures. 100,000

Capital Reserve Fund to finance future capital projects. 144,000

From the Emergency Telephone System Fund to the General Fund to repay funds to the
General Fund that were not restricted. 199,848

From the Fire Service District Fund to the Fire Substation Capital Project Fund for construction
of a fire substation. 697,618

Total 1,141,466

Due To and From Interfunds and Other Governments

General Fund:

Due from Morgan Center project and NCHFA for cash to fund project Exhibit 3 230,438

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$12,866,407	\$ 8,610,651
Less: Long term debt	3,246,051	5,260,000
- Bond premiums	300,641	512,255
Add: Unspent bond proceeds	1,461,099	-
Net investment in capital assets	\$10,780,814	\$ 2,838,396

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	\$13,427,934
Less:	
Nonspendable	213,784
Stabilization by State Statute	1,027,641
Appropriated fund balance in 2019-2020 budget	2,283,458
Remaining Fund Balance	9,903,051

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 \$30,216 to the Council during the fiscal year ended June 30, 2018.

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, 2018, Scotland County approved and paid the sum of \$297,328 to Richmond Community College.

V. Related Party Transactions

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

VI. Benefit Payments Issued by the State

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

	Federal	State
Medicaid	\$52,273,594	\$27,209,740
NC health choice	553,720	263
WIC	1,018,380	-
Title IV-E, foster care	111,813	26,798
Adoption assistance	155,553	37,726
Food & nutrition benefits	13,861,305	-
TANF - work first	250,914	-
Adult assistance	221,315	12,996
	<u>\$68,446,594</u>	<u>\$27,287,523</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 July 16, 2019, the date which the financial statements were available to be issued.

The County completed the construction of two fire substations in July 2018. The Northside Substation will be manned by volunteer firemen from Springhill Fire Department. The Southside Substation has been turned over to the City of Laurinburg for them to operate. Both stations have been inspected by the State and are operational.

The County closed on bonds August 22, 2018. Proceeds in the amount of \$26,477,817.50 will be used for the construction of a new school. The Board of Education plans to close and consolidate two schools upon completion of the new school. This school is currently under construction.

The Morgan Center Rehabilitation Project was completed in the fall of 2018. County Administration, Inspections, Veteran Services, and Soil and Water occupy part of the building. Richmond Community College will occupy the other portion of the building. The County plans to sell the building to Richmond Community College as part of the college's community campus affiliation.

The County was affected by Hurricane Florence in September 2018. Two County buildings were flooded and had to undergo remediation. County staff was displaced while renovations were being completed. County offices were fully restored in May 2019. The landfill also collected approximately 8 tons of storm related debris.

Scotland County, as part of remediation for Hurricane Florence, is in process of working with State and Federal agencies to restore watershed areas to mitigate the impacts of future storms. Several areas and neighborhoods within the County were flooded during the storm.

The revaluation process started in fiscal year 2018 and was completed in the spring of 2019. The revenue neutral rate was \$1.017 while the previous tax rate was \$1.00. The valuation came in at 99.8% of previous valuations. When accounting for trend growth, approximately 1.9%, the revaluation generated a negative amount for revenue neutral.

In March of 2019, the County agreed to transfer \$200,168 in water infrastructure to the City of Laurinburg.

IX. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning total OPEB liability and the effects on net position of benefits payments and administrative expenses paid by the County related to OPEB during the measurement period (fiscal year ending December 31, 2017). Beginning deferred outflows and inflows of resources associated with the implementation were excluded from the restatement. As a result, net position for the governmental activities decreased \$(16,304,022) and \$(374,793) for the business-type activities.

Required Supplemental Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government 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 for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Change in the Total OPEB Liabilities

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***

	2018	2017	2016
County's proportion of the net pension liability (asset) %	.175%	.178%	.175%
County's proportionate share of the net pension liability (asset) \$	2,679,932	3,772,875	784,446
County's covered-employee payroll	12,139,104	10,975,089	10,411,622
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.08%	34.37%	7.58%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%

*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>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	910,433	839,797	756,313
Contributions in relation to the contractually required contribution	<u>910,433</u>	<u>839,797</u>	<u>756,313</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	12,139,104	11,308,290	10,975,089
Contributions as a percentage of covered-employee payroll	7.50%	7.42%	6.89%

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***

	2018	2017	2016
County's proportion of the net pension liability (asset) %	.293%	.309%	.284%
County's proportionate share of the net pension liability (asset) \$	(50,087)	(57,690)	(65,914)
County's covered-employee payroll	55,902	56,824	50,177
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-89.50%	-101.52%	-131.36%
Plan fiduciary net position as a percentage of the total pension liability	153.77%	160.17%	197.29%

*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>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	2,384	2,550	2,494
Contributions in relation to the contractually required contribution	<u>2,384</u>	<u>2,550</u>	<u>2,494</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	55,962	54,027	56,824
Contributions as a percentage of covered-employee payroll	4.26%	4.72%	4.39%

Scotland County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2018

	<u>2018</u>	<u>2017</u>
Beginning balance	627,701	642,469
Service cost	31,096	33,623
Interest on the total pension liability	23,084	21,892
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	22,837	-
Changes on assumptions or other inputs	34,029	(11,793)
Benefit payments	(59,334)	(58,490)
Other changes	-	-
Ending balance of the total pension liability	<u>679,413</u>	<u>627,701</u>

The amounts presented for each fiscal year were determined as of the prior ending 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, 2018

	<u>2018</u>	<u>2017</u>
Total pension liability	679,413	627,701
Covered payroll	1,526,642	1,601,424
Total pension liability as a percentage of covered payroll	44.50%	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.

Scotland County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
 June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	551,425
Interest	746,868
Changes of benefit terms	-
Differences between expected and actual experience	141,329
Changes of assumptions	(2,192,086)
Benefit payments	<u>(725,648)</u>
Net change in total OPEB liability	(1,478,112)
Total OPEB liability - beginning	<u>25,173,015</u>
Total OPEB liability - ending	23,694,903
Covered payroll	10,502,994
Total OPEB liability as a percentage of covered payroll	225.60%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		\$ 22,272,151	
Interest		247,279	
Total	\$ 22,749,010	22,519,430	\$ (229,580)
Local option sales taxes:			
Article 39 one percent		2,817,559	
Article 40 one-half of one percent		2,061,596	
Article 42 one-half of one percent		1,531,611	
Article 44 one-half of one percent		641,731	
Total	6,581,795	7,052,498	470,703
Other taxes and licenses:			
Franchise tax	60,000	55,206	(4,794)
Unrestricted intergovernmental:			
Beer and wine tax		79,193	
ABC profit distribution		93,378	
Total	177,000	172,571	(4,429)
Restricted intergovernmental:			
State and federal grants		7,573,857	
Lottery proceeds		367,871	
Court facility fees		49,723	
Total	9,005,870	7,991,450	(1,014,420)
Permits and fees:			
Election fees		23,820	
Inspection fees		293,688	
Register of deeds		191,603	
Total	511,251	509,111	(2,140)

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues - continued:			
Sales and services:			
Jail and other fees		160,527	
Ambulance fees		1,317,065	
Recreation fees		127,458	
Emergency communications revenue		250,000	
Rental revenue		7,554	
Health department fees		45,106	
Total	2,052,069	1,907,709	(144,360)
Investment earnings	185,000	199,034	14,034
Fines, forfeitures	175,000	137,570	(37,430)
Miscellaneous:			
Private donations		1,032	
Sheriff dept. - surveillance - shared revenue		3,706	
Other		236,157	
Total	227,032	240,894	13,862
 Total revenues	 41,724,027	 40,785,473	 (938,554)

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		56,816	
Other operating expenditures		<u>6,256</u>	
Total	<u>66,335</u>	63,072	3,263
Administration:			
Salaries and employee benefits		782,760	
Other operating expenditures		<u>(53,890)</u>	
Total	<u>728,870</u>	728,870	-
Elections:			
Salaries and employee benefits		150,859	
Other operating expenditures		<u>58,685</u>	
Total	<u>279,076</u>	209,544	69,532
Tax:			
Salaries and employee benefits		588,096	
Other operating expenditures		<u>170,086</u>	
Total	<u>804,565</u>	758,182	46,383
Legal:			
Contracted services		<u>67,068</u>	
Total	<u>68,125</u>	67,068	1,058
Register of deeds:			
Salaries and employee benefits		204,709	
Other operating expenditures		<u>51,918</u>	
Total	<u>264,513</u>	256,627	7,886

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		7,032	
Total	7,500	7,032	468
Information technology:			
Salaries and employee benefits		155,395	
Other operating expenditures		23,101	
Capital outlay		28,575	
Total	311,249	207,071	104,178
Total general government	2,530,233	2,297,465	232,768
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,539,032	
Other operating expenditures		319,087	
Capital outlay		302,513	
Total	3,301,496	3,160,632	140,864
Jail:			
Salaries and employee benefits		1,079,714	
Other operating expenditures		723,574	
Total	1,941,405	1,803,288	138,117
Emergency ambulatory & services:			
Salaries and employee benefits		1,441,291	
Other operating expenditures		316,901	
Capital outlay		196,347	
Total	2,125,963	1,954,539	171,424

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Emergency communications:			
Salaries and employee benefits		820,168	
Other operating expenditures		<u>103,562</u>	
Total	1,068,830	923,731	145,099
Forestry service	99,896	81,988	17,908
Inspections:			
Salaries and employee benefits		287,538	
Other operating expenditures		<u>35,274</u>	
Total	354,115	322,813	31,302
Planning & zoning:			
Other operating expenditures		<u>952</u>	
Total	4,761	952	3,809
Scotland County Rescue Squad	32,000	27,815	4,185
Medical examiner	45,730	46,716	(986)
Animal control:			
Salaries and employee benefits		101,268	
Other operating expenditures		<u>14,723</u>	
Total	117,649	115,992	1,657
Humane society	120,000	111,236	8,764
Surveillance and drugs:			
Other operating expenditures		<u>10,000</u>	
Total	10,000	10,000	-
Total public safety	9,221,845	8,559,699	662,146

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures		469,864	
Capital outlay		22,870	
Total	518,805	492,734	26,071
Public buildings:			
Salaries and employee benefits		712,430	
Other operating expenditures		467,046	
Capital outlay		28,807	
Total	1,640,131	1,208,283	431,848
Total central service	2,158,936	1,701,017	457,919
Economic and physical development:			
Industry grants		1,956,936	
Region N-council of government		28,395	
SEDC		3,254	
Total	1,990,185	1,988,585	1,600
Co-op extension:			
Salaries and employee benefits		3,778	
Other operating expenditures		150,146	
Capital outlay		31,363	
Total	192,395	185,287	7,108
Soil and water conservation:			
Salaries and employee benefits		71,730	
Other operating expenditures		2,115	
Total	83,453	73,845	9,608
Total economic & physical development	2,266,033	2,247,717	18,316

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		111,368	
Historic Properties		27,115	
Scotland Home Health, Inc.		40,962	
Total other expenditures	179,447	179,445	2
Human services:			
Health:			
Administration:			
Salaries and employee benefits		718,330	
Other operating expenditures		191,296	
Capital outlay		7,950	
Total	957,840	917,576	40,264
Tuberculosis:			
Salaries and employee benefits		14,208	
Other operating expenditures		3,748	
Total	21,550	17,955	3,595
Orthopedic		62,833	
Child health		46,381	
Primary care		41,593	
Communicable diseases		345,154	
Total	530,385	495,961	34,424
Cancer prevention:			
Other operating expenditures		2,809	
Total	4,500	2,809	1,691
Healthy carolinians:			
Other operating expenditures	500	-	500
Total	500	-	500

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Family planning:			
Salaries and employee benefits		287,456	
Other operating expenditures		<u>102,420</u>	
Total	396,523	389,876	6,647
Maternal and child health:			
Salaries and employee benefits		139,008	
Other operating expenditures		<u>44,102</u>	
Total	190,065	183,110	6,955
Women, infants, and children:			
Salaries and employee benefits		245,713	
Other operating expenditures		<u>46,801</u>	
Total	328,819	292,514	36,305
Environmental health:			
Salaries and employee benefits		100,608	
Other operating expenditures		<u>16,202</u>	
Total	127,651	116,809	10,842
Child services coordinator:			
Salaries and employee benefits		108,687	
Other operating expenditures		<u>8,335</u>	
Total	170,913	117,022	53,891
MCC	180,778	144,979	35,799
Immunization:			
Salaries and employee benefits		24,811	
Other operating expenditures		<u>28,960</u>	
Total	58,418	53,770	4,648

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Adult health:			
Salaries and employee benefits		76,624	
Other operating expenditures		<u>12,508</u>	
Total	90,411	89,132	1,279
Preparedness response:			
Salaries and employee benefits		2,810	
Other operating expenditures		<u>28,088</u>	
Total	32,836	30,898	1,938
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		<u>7,563</u>	
Total	80,620	80,483	137
Total health	3,171,809	2,932,895	238,914
Social services:			
Administration:			
Salaries and employee benefits		4,887,656	
Other operating expenditures		2,668,742	
Capital outlay		<u>42,809</u>	
Total	8,295,227	7,599,207	696,020
Transportation:			
Salaries and employee benefits		258,379	
Other operating expenditures		82,260	
Capital outlay		<u>113,428</u>	
Total	594,059	454,067	139,992
Total social services	8,889,286	8,053,275	836,011

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, 2018

	2018		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		55,113	
Other operating expenditures		2,459	
Total	61,049	57,572	3,477
Total human services	12,122,144	11,043,742	1,078,402
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		471,398	
Other operating expenditures		249,372	
Capital outlay		19,733	
Total	823,105	740,503	82,602
Libraries:			
Salaries and employee benefits		295,805	
Other operating expenditures		157,313	
Total	487,815	453,119	34,696
Total cultural and recreational	1,310,920	1,193,622	117,298

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, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Education:			
Public schools - current expense		10,419,897	
Public schools - lottery-capital outlay		67,871	
Fines and forfeitures		137,570	
Contributions of capital		300,000	
Community colleges - current		<u>297,328</u>	
Total education	<u>11,267,225</u>	<u>11,222,666</u>	<u>44,559</u>
Debt service:			
Principal retirement		1,310,948	
Interest and fees, other		<u>584,048</u>	
Total debt service	<u>1,584,972</u>	<u>1,894,996</u>	<u>(310,024)</u>
Total expenditures	42,641,755	40,340,370	2,301,385
Revenues over (under) expenditures	(917,728)	445,104	1,362,832

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2018

	2018		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Other financing sources (uses):			
Transfers to other funds:			
Special revenue funds revaluation fund	(100,000)	(100,000)	
Economic development	(144,000)	(144,000)	
Transfers from other funds:			
911 fund	<u>200,000</u>	<u>199,848</u>	<u>(152)</u>
Total net transfers	(44,000)	(44,152)	(152)
 Total other financing sources (uses)	 (44,000)	 (44,152)	 (152)
 Appropriated fund balance	 <u>961,728</u>	 <u>-</u>	 <u>(961,728)</u>
 Net change in fund balance	 <u>\$ -</u>	 400,951	 <u>\$ 400,951</u>
 Fund balances:			
Beginning of year, July 1		<u>13,026,983</u>	
End of year, June 30		<u>\$ 13,427,934</u>	

Scotland County, North Carolina
School Construction
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<u>Budget</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u>	<u>Total to</u> <u>Date</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Revenues:					
Investment earnings	\$ -	\$ -	\$ 112,287	\$ 112,287	\$ 112,287
Total revenues	-	-	112,287	112,287	112,287
Expenditures:					
Rehabilitation/construction	13,380,000	-	9,451,902	9,451,902	3,928,098
Total expenditures	13,380,000	-	9,451,902	9,451,902	3,928,098
Revenues (under) expenditures	(13,380,000)	-	(9,339,615)	(9,339,615)	4,040,385
Other financing sources:					
Proceeds from bond issuance	13,380,000	-	13,380,000	13,380,000	-
Proceeds from bond premium	-	-	1,936,775	1,936,775	1,936,775
Total other financing sources	13,380,000	-	15,316,775	15,316,775	1,936,775
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	5,977,160	<u>\$5,977,160</u>	<u>\$5,977,160</u>
Fund balances - beginning			<u>-</u>		
Fund balances - ending			<u>\$5,977,160</u>		

Scotland County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Special Revenue Funds			Capital Project Funds						
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds	Morgan Center Project Fund	Capital Reserve Fund	CDBG Mountaire Project Fund	Fire Substation Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS										
Cash and cash equivalents	\$ -	\$ 390,650	\$ -	\$ 390,650	\$ -	\$ 288,240	\$ -	\$ 359,071	\$ 647,311	\$ 1,037,961
Restricted cash	1,028,163	-	132,494	1,160,657.00	1,461,099	-	-	-	1,461,099	2,621,756
Taxes receivable	64,750	-	-	64,750.00	-	-	-	-	-	64,750
Prepaid expense	-	-	5,470	5,470.00	-	-	-	-	-	5,470
Due from other governments/grantors	59,206	-	26,498	85,704.00	-	-	341,276	-	341,276	426,980
Total assets	\$ 1,152,119	\$ 390,650	\$ 164,462	\$ 1,707,231	\$ 1,461,099	\$ 288,240	\$ 341,276	\$ 359,071	\$ 2,449,686	\$ 4,156,917
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	489	-	90,339	90,828	149,379	-	349,736	160,027	659,142	749,970
Retainage payable	-	-	-	-	114,828	-	-	51,303	-	166,131
Due to general fund	-	-	-	-	-	-	230,439	-	230,439	230,439
Total liabilities	489	-	90,339	90,828	264,207	-	580,175	211,330	1,055,712	1,146,540
DEFERRED INFLOWS OF RESOURCES										
Taxes receivable	64,750	-	-	64,750	-	-	-	-	-	64,750
Total deferred inflows of resources	64,750	-	-	64,750	-	-	-	-	-	64,750
Fund balances:										
Nonexpendable:										
Prepaid expenses	-	-	5,470	5,470	-	-	-	-	-	5,470
Restricted for:										
Stabilization by state statute	59,206	-	26,498	85,704	-	-	-	-	-	85,704
Fire protection	1,027,674	-	-	1,027,674	-	-	-	-	-	1,027,674
Emergency telephone	-	-	42,155	42,155	-	-	-	-	-	42,155
Capital outlay	-	-	-	-	1,196,892	-	-	-	-	1,196,892
Committed:										
Revaluation	-	390,650	-	390,650	-	-	-	-	-	390,650
Assigned:										
Capital outlay	-	-	-	-	-	288,240	110,837	147,741	546,818	546,818
Unassigned	-	-	-	-	-	-	(349,736)	-	(349,736)	(349,736)
Total fund balances	1,086,880	390,650	74,123	1,551,653	1,196,892	288,240	(238,899)	147,741	1,393,974	2,945,627
Total liabilities, deferred inflows of resources and fund balances	\$ 1,152,119	\$ 390,650	\$ 164,462	\$ 1,707,231	\$ 1,461,099	\$ 288,240	\$ 341,276	\$ 359,071	\$ 2,449,686	\$ 4,156,917

Scotland County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				Capital Project Funds					
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds	Morgan Center Project Fund	Capital Reserve Fund	CDBG Mountaire Project Fund	Fire Substation Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:										
Ad valorem taxes	\$ 647,110	\$ -	\$ -	\$ 647,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647,110
Other taxes, licenses & fees	491	-	317,976	318,467	-	-	-	-	-	318,467
Sales tax	317,365	-	-	317,365	-	-	-	-	-	317,365
Other grants	-	-	-	-	-	-	341,276	-	341,276	341,276
Investment earnings	6,184	-	-	6,184	20,192	-	-	-	20,192	26,376
Total revenues	971,150	-	317,976	1,289,126	20,192	-	341,276	-	361,468	1,650,594
Expenditures:										
Public safety	299,551	-	280,784	580,335	-	-	-	-	-	580,335
Other	-	72,384	-	72,384	-	760	-	-	760	73,144
Capital outlay	347,419	-	-	347,419	1,333,721	-	580,175	549,877	2,463,773	2,811,192
Total expenditures	646,970	72,384	280,784	1,000,138	1,333,721	760	580,175	549,877	2,464,533	3,464,671
Revenues over (under) expenditures	324,180	(72,384)	37,192	288,988	(1,313,529)	(760)	(238,899)	(549,877)	(2,103,065)	(1,814,077)
Other financing sources (uses):										
Transfers from other funds	-	100,000	-	100,000	-	144,000	-	697,618	841,618	941,618
Transfers to other funds	(697,618)	-	(199,848)	(897,466)	-	-	-	-	-	(897,466)
Proceeds from bond issuance	-	-	-	-	2,240,000	-	-	-	2,240,000	2,240,000
Proceeds from bond premium	-	-	-	-	300,641	-	-	-	300,641	300,641
Total other financing sources (uses)	(697,618)	100,000	(199,848)	(797,466)	2,540,641	144,000	-	697,618	3,382,259	2,584,793
Net change in fund balances	(373,438)	27,616	(162,656)	(508,478)	1,227,112	143,240	(238,899)	147,741	1,279,194	770,716
Fund balances-beginning	1,460,318	363,034	236,779	2,060,131	(30,220)	145,000	-	-	114,780	2,174,911
Fund balances - ending	\$ 1,086,880	\$ 390,650	\$ 74,123	\$1,551,653	\$ 1,196,892	\$ 288,240	\$ (238,899)	\$ 147,741	\$ 1,393,974	\$ 2,945,627

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, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 641,100	\$ 647,110	\$ 6,010
Other taxes, licenses & fees	125,800	491	(125,309)
Sales tax	268,000	317,365	49,365
Investment earnings	<u>6,271</u>	<u>6,184</u>	<u>(87)</u>
Total revenues	1,041,171	971,150	(70,021)
Expenditures:			
Public safety	442,108	299,551	142,557
Capital outlay	<u>676,063</u>	<u>347,419</u>	<u>328,644</u>
Total expenditures	<u>1,118,171</u>	<u>646,970</u>	<u>471,201</u>
Revenues over (under) expenditures	(77,000)	324,180	401,180
Other financing sources (uses):			
Transfers (to) fire substation	(697,618)	(697,618)	-
Appropriated fund balance	<u>774,618</u>	<u>-</u>	<u>(774,618)</u>
Total other financing sources	<u>77,000</u>	<u>(697,618)</u>	<u>(774,618)</u>
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>(373,438)</u>	<u>\$ (373,438)</u>
Fund balances - beginning		<u>1,460,318</u>	
Fund balances - ending		<u>\$ 1,086,880</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, 2018

	<u>Final Budget</u>	Actual	Variance Positive (Negative)
Revenues:			
None	\$ -	\$ -	\$ -
Expenditures:			
Revaluation	<u>100,000</u>	<u>72,384</u>	<u>(27,616)</u>
Revenues (under) expenditures	<u>(100,000)</u>	<u>(72,384)</u>	<u>27,616</u>
Other financing sources:			
Transfers:			
General fund	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total other financing sources	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	27,616	<u>\$ 27,616</u>
Fund balances - beginning		<u>363,034</u>	
Fund balances - ending		<u>\$ 390,650</u>	

Scotland County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other taxes, licenses & fees	\$ 316,528	\$ 317,976	\$ 1,448
Total revenues	<u>316,528</u>	<u>317,976</u>	<u>1,448</u>
Expenditures:			
Public safety	316,528	280,784	35,744
Total expenditures	<u>316,528</u>	<u>280,784</u>	<u>35,744</u>
Revenues over expenditures	-	37,192	37,192
Other financing sources (uses):			
Appropriated fund balance	200,000	-	(200,000)
Transfers	<u>(200,000)</u>	<u>(199,848)</u>	<u>152</u>
Total other financing sources (uses)	-	(199,848)	(199,848)
Revenues and other sources (under) expenditures	<u>\$ -</u>	(162,656)	<u>\$ (162,656)</u>
Fund balances - beginning		<u>236,779</u>	
Fund balances - ending		<u>\$ 74,123</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, 2018

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Investment earnings	\$ -	\$ -	\$ 20,192	\$ 20,192	\$ 20,192
Total revenues	-	-	20,192	20,192	20,192
Expenditures:					
Rehabilitation/construction	2,240,000	30,220	1,333,721	1,363,941	876,059
Total expenditures	2,240,000	30,220	1,333,721	1,363,941	876,059
Revenues (under) expenditures	(2,240,000)	(30,220)	(1,313,529)	(1,343,749)	896,251
Other financing sources:					
Proceeds from bond issuance	2,240,000	-	2,240,000	2,240,000	-
Proceeds from bond premium	-	-	300,641	300,641	300,641
Total other financing sources	2,240,000	-	2,540,641	2,540,641	300,641
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (30,220)</u>	1,227,112	<u>\$ 1,196,892</u>	<u>\$ 1,196,892</u>
Fund balances - beginning			(30,220)		
Fund balances - ending			<u>\$1,196,892</u>		

Scotland County, North Carolina
Capital Reserve
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<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:					
Other contracted services	-	-	760	760	(760)
Total expenditures	-	-	760	760	(760)
Revenues (under) expenditures	-	-	(760)	(760)	(760)
Other financing sources:					
Transfers	<u>289,000</u>	<u>145,000</u>	<u>144,000</u>	<u>289,000</u>	-
Total other financing sources	289,000	145,000	144,000	289,000	-
Revenues and other sources over expenditures	<u>\$ 289,000</u>	<u>\$ 145,000</u>	143,240	<u>\$ 288,240</u>	<u>\$ (760)</u>
Fund balances - beginning			<u>145,000</u>		
Fund balances - ending			<u>\$ 288,240</u>		

Scotland County, North Carolina
CDBG - Mountaire
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	Budget Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
CDBG - Grant	\$ 1,350,000	\$ -	\$ 341,276	\$ 341,276	\$ (1,008,724)
Other State Grant	162,000	-	-	-	(162,000)
Private Grant	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,250,000)</u>
Total revenues	2,762,000	-	341,276	341,276	(2,420,724)
Expenditures:					
Rehabilitation and construction	<u>2,762,000</u>	<u>-</u>	<u>580,175</u>	<u>580,175</u>	<u>2,181,825</u>
Total expenditures	<u>2,762,000</u>	<u>-</u>	<u>580,175</u>	<u>580,175</u>	<u>2,181,825</u>
Revenues (under) expenditures	-	-	(238,899)	(238,899)	(238,899)
Other financing sources:					
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	-	-	-	-	-
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(238,899)	<u>\$ (238,899)</u>	<u>\$ (238,899)</u>
Fund balances - beginning			<u>-</u>		
Fund balances - ending			<u>\$ (238,899)</u>		

Scotland County, North Carolina
Fire Substation
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2018

	<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 and construction	697,618	-	549,877	549,877	147,741
Total expenditures	697,618	-	549,877	549,877	147,741
Revenues (under) expenditures	(697,618)	-	(549,877)	(549,877)	147,741
Other financing sources:					
Transfers	697,618	-	697,618	697,618	-
Total other financing sources	697,618	-	697,618	697,618	-
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	147,741	<u>\$ 147,741</u>	<u>\$ 147,741</u>
Fund balances - beginning			-		
Fund balances - ending			<u>\$ 147,741</u>		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		\$ 1,231,086	
Availability fees		1,008,794	
Other operating revenues		119,229	
Total operating revenues	\$ 2,358,955	2,359,109	\$ 154
Expenditures:			
Operating expenses:			
Salaries & employee benefits		507,286	
Supplies		15,194	
Repairs & maintenance		135,924	
Contracted services		268,521	
Waste disposal		759,961	
Other operating expenditures		118,299	
Total operating expenses	2,118,001	1,805,184	312,817
Capital outlays:			
Equipment - vehicle	240,954	240,954	-
Total expenditures	2,358,955	2,046,138	312,817
Revenues over expenditures	\$ -	312,971	\$ 312,971
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		240,954	
Depreciation		(124,996)	
(Decrease) in deferred outflows of resources-pensions		(35,435)	
Decrease in net pension liability		32,788	
Decrease in deferred inflows of resources-pensions		1,927	
Increase in deferred outflows of resources-OPEB		2,375	
(Increase) in deferred inflows of resources-OPEB		(36,838)	
Increase in net OPEB liability		15,049	
(Increase) in accrued vacation		(6,848)	
(Increase) in accrued landfill closure and postclosure costs		(65,898)	
Bad debts		(1,500)	
Total reconciling items		21,577	
Change in net position		\$ 334,548	

Scotland County, North Carolina
Water District I Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		\$ 816,096	
Total operating revenues	\$ 800,000	816,096	\$ 16,096
Expenditures:			
Operating expenses:			
Salaries and employee benefits		44,355	
Water purchases		356,341	
Other operating expenditures		210,111	
Total operating expenses	764,882	610,807	154,075
Debt service:			
Bond issuance costs		22,208	
Principal retirement		51,500	
Interest		65,916	
Total	139,624	139,624	-
Total expenditures	904,506	750,432	154,075
Revenues over (under) expenditures	(104,506)	65,664	170,170
Other financing sources (uses):			
Transfers to other funds			
Refunding bonds issued		1,310,000	
Refunding bonds issued - premium		190,160	
Payment to refunded bond agent		(1,500,160)	
Total other financing sources (uses)	74,712	-	74,712
Fund balance appropriated	179,218	-	(179,218)
Revenues and other sources over expenditures	\$ -	65,664	\$ 65,664
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Principal payment		51,500	
Depreciation		(125,495)	
(Decrease) in deferred outflows of resources-pensions		(11,812)	
Decrease in net pension liability		10,929	
Decrease in deferred inflows of resources-pensions		642	
Increase in deferred outflows of resources-OPEB		1,188	
(Increase) in deferred inflows of resources-OPEB		(18,419)	
Decrease in OPEB liability		7,524	
Bad debts		(1,619)	
Decrease in accrued vacation		921	
Total reconciling items		(84,641)	
Change in net position		\$ (18,977)	

Scotland County, North Carolina
Water District II Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2018

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		\$ 540,801	
Water taps		153,440	
Total operating revenues	\$ 695,000	694,241	\$ (759)
Expenditures:			
Operating expenses:			
Water purchases		174,221	
Other operating expenditures		82,643	
Total operating expenses	340,232	256,863	83,369
Debt service:			
Cost of bond issuance		66,963	
Principal retirement		95,000	
Interest		171,655	
Total	333,618	333,618	-
Capital outlay:			
Equipment	395,525	395,525	-
Total expenditures	1,069,375	986,006	83,369
Revenues (under) expenditures	(374,375)	(291,766)	82,609
Other financing sources (uses):			
Transfers to other funds			
Refunding bonds issued		3,950,000	
Refunding bonds issued premium		331,199	
Payment to refunded bond agent		(4,281,199)	
Total other financing sources (uses)	374,375	-	(374,375)
Revenues and other sources (under) expenditures	\$ -	(291,766)	\$ (291,766)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		395,525	
Principal payments		95,000	
Depreciation		(198,768)	
Bad debts		(451)	
Total reconciling items		291,305	
Change in net position		\$ (460)	

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Social Services				
Assets:				
Cash & cash equivalents	17,448	156,897	145,649	28,696
Liabilities:				
Miscellaneous liabilities	17,448	156,897	145,649	28,696
Fines and Forfeitures				
Assets:				
Cash	6,114	419,448	420,949	4,613
Liabilities:				
Intergovernmental payable	-	137,570	137,570	-
Other tax	6,114	281,878	283,379	4,613
Total liabilities	6,114	419,448	420,949	4,613
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	-	510,811	510,570	241
Liabilities:				
Miscellaneous liabilities	-	510,811	510,570	241
Inmate Trust Fund				
Assets:				
Cash	47,355	185,688	178,284	54,759
Liabilities:				
Inmate funds	47,355	185,688	178,284	54,759
Tourism Development Fund				
Assets:				
Cash	184,977	384,204	318,760	250,421
Liabilities:				
Miscellaneous liabilities	184,977	384,204	318,760	250,421
Parks and Recreation				
Assets:				
Cash	135	6,691	6,737	89
Liabilities:				
Miscellaneous liabilities	135	6,691	6,737	89

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Concealed Weapons Fees				
Assets:				
Cash	<u>1,860</u>	<u>23,255</u>	<u>24,410</u>	<u>705</u>
Liabilities:				
Miscellaneous liabilities	<u>1,860</u>	<u>23,255</u>	<u>24,410</u>	<u>705</u>
Register of Deeds				
Assets:				
Cash	<u>8,956</u>	<u>84,582</u>	<u>88,703</u>	<u>4,835</u>
Liabilities:				
Miscellaneous liabilities	<u>8,956</u>	<u>84,582</u>	<u>88,703</u>	<u>4,835</u>
Library				
Assets:				
Cash	<u>14,750</u>	<u>1,777</u>	<u>-</u>	<u>16,527</u>
Liabilities:				
Miscellaneous liabilities	<u>14,750</u>	<u>1,777</u>	<u>-</u>	<u>16,527</u>
Certified Retirement Community				
Assets:				
Cash	<u>2,450</u>	<u>1,750</u>	<u>629</u>	<u>3,571</u>
Liabilities:				
Miscellaneous Liabilities	<u>2,450</u>	<u>1,750</u>	<u>629</u>	<u>3,571</u>
Total-All Agency Funds				
Assets:				
Cash	<u>284,045</u>	<u>1,775,103</u>	<u>1,694,690</u>	<u>364,457</u>
Liabilities:				
Miscellaneous liabilities	284,045	1,637,534	1,557,122	364,457
Intergovernmental payable	<u>-</u>	<u>137,570</u>	<u>137,570</u>	<u>-</u>
Total liabilities	<u>284,045</u>	<u>1,775,104</u>	<u>1,694,692</u>	<u>364,457</u>

OTHER SCHEDULES

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2017</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 22,488,981	\$ 21,625,906	\$ 863,075
2016-2017	867,992	-	467,179	400,813
2015-2016	378,001	-	141,955	236,046
2014-2015	221,525	-	44,949	176,576
2013-2014	215,427	-	36,099	179,328
2012-2013	209,360	-	26,050	183,310
2011-2012	170,929	-	18,530	152,399
2010-2011	169,556	-	17,687	151,869
2009-2010	158,307	-	16,069	142,238
2008-2009	153,715	-	14,379	139,336
2007-2008	170,021	-	119,312	50,709
	<u>2,714,833</u>	<u>22,488,981</u>	<u>22,528,117</u>	
Total				2,675,698
				<u>133,785</u>
				Ad valorem taxes receivable - net
				\$ 2,541,913
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - net:				
General Fund				\$22,519,430
Reconciling items:				
Interest				\$ (247,279)
Discounts				108,726
Taxes released				<u>147,241</u>
Total reconciling items				<u>\$ 8,687</u>
Total collections and credits				<u>\$22,528,117</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2018

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 2,234,562,570	\$ 1.01	\$ 22,569,082	\$ 20,202,590	\$ 2,366,492
Total	2,234,562,570		22,569,082	20,202,590	2,366,492
Abatements	(7,930,790)		(80,101)	(57,997)	(22,104)
Total property valuations	<u>\$ 2,226,631,780</u>				
Net levy			22,488,981	20,144,593	2,344,388
Uncollected taxes at June 30, 2018			863,075	859,196	3,879
Current year's taxes collected			<u>\$ 21,625,906</u>	<u>\$ 19,285,398</u>	<u>\$ 2,340,508</u>
Current year collection percentage			<u>96.16%</u>	<u>95.73%</u>	<u>99.83%</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2018

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 1,479,216,498
Personal property	628,156,382
Public service companies ²	<u>119,258,900</u>
Total assessed valuation	2,226,631,780
Tax rate per \$100	1.01
Levy (includes discoveries, releases and abatements) ³	\$ 22,488,981

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	<u>624,380</u>
Total	<u><u>\$ 624,380</u></u>

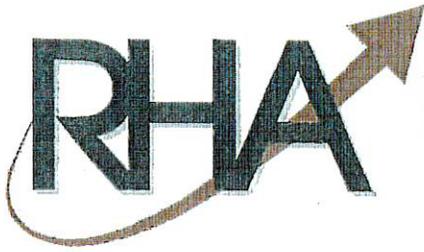
¹Percentage of appraised value has been established by statute.

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

Scotland County, North Carolina
 Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2018

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
FCC North Carolina, Inc.	Manufacturing	\$ 113,586,335	5.10%
Pilkington North America	Manufacturing	76,387,968	3.43%
Cascades Holding US, Inc.	Manufacturing	56,067,067	2.52%
Duke Energy Progress, Inc.	Utilities	32,225,290	1.45%
Piedmont Natural Gas Co., Inc.	Utilities	29,568,384	1.33%
Meritor Heavy Vehicle	Manufacturing	25,596,156	1.15%
Kordsa, Inc	Manufacturing	24,836,135	1.12%
Carroll's Realty Partnership	Farming	21,725,464	0.98%
CSX Transportation	Railroad	21,307,062	0.96%
Railroad Friction	Manufacturing	<u>16,243,526</u>	<u>0.73%</u>
Total		<u>\$ 417,543,387</u>	<u>18.77%</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, 2018, 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 July 16, 2019.

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.

-106-

103 MCRAE STREET
PO BOX 1309
LAURINBURG, NC 28353

P. (910) 276-3985
F. (910) 550-2198
WWW.RHA-CPAS.COM

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. *See finding 2018-001, 2018-002, 2018-003.*

Compliance and Other Matters

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

Scotland County's Response to Findings

Scotland County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's 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

July 16, 2019



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, 2018. 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 federal and state statutes, regulations, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Scotland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-006. 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 items 2018-005 and 2018-006 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

July 16, 2019



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, 2018. 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 state statutes, regulations, and conditions of its state awards 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.

-111-

103 MCRAE STREET
PO BOX 1309
LAURINBURG, NC 28353

P. (910) 276-3985
F. (910) 550-2198
WWW.RHA-CPAS.COM

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, 2018.

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 items 2018-006 and 2018-007. 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 items 2018-005, 2018-006, and 2018-007 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

July 16, 2019

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

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? X yes no
- * Significant deficiencies identified that are not considered to be material weaknesses yes X none reported
- Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2018

Identification of major federal programs:

CFDA #	Name of Federal Program or Cluster
93.778	Medical Assistance Program (Medicaid)

Dollar threshold used to distinguish
 between Type A and Type B Programs \$ 750,000

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)
N.C. Dept. of Public Safety: JCPC Admin. Scots for Youth Youth Empowerment to Succeed (YES)
N.C. Dept. of Cultural and Natural Resources: State Aid to Public Libraries
N.C. Dept. of Public Instruction: Public School Building Capital Fund - Lottery Proceeds

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

Finding: 2018-001

MATERIAL WEAKNESS

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

Condition: The County expended \$310,024 more for debt service 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 and 2017-002.

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.

Finding: 2018-002

MATERIAL WEAKNESS

Criteria: The audited financial statements should be submitted in accordance with LGC-205 (Contract to Audit Accounts) and G.S. 159-34 of the Local Government Budget and Fiscal Control Act.

Condition: The County was materially late in providing an accurate set of financial statements for audit.

Effect: Submission of the audited financial statements and AFIR was materially late.

Cause: Key personnel were not available to provide timely reconciled accounts to be audited.

Recommendation: Financial personnel should prioritize accurate and timely financial statements to be audited.

View of responsible officers and planned corrective actions: The County agrees with this finding. The County will monitor and prioritize the accuracy and timeliness of the information to be audited.

Finding: 2018-003

MATERIAL WEAKNESS

Criteria: Financial statement accounts should be reconciled on a timely basis.

Condition: Cash, fixed assets and various liability accounts were not accurate at time of the audit.

Effect: Material journal entries and additional audit procedures were required.

Cause: Key finance personnel did not properly reconcile financial accounts.

Recommendation: Financial personnel should prioritize accurate and timely account reconciliation.

View of responsible officers and planned corrective actions: The County agrees with this finding. The County will monitor the preparation of significant accounts to ensure the proper reconciliation.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

Federal audit clearing house

Finding: 2018-004

Significant Deficiency

Reporting

Criteria: 2 CFR section 200.513(a) requires that the data collection be submitted the earlier of 30 days after receipt of the audited financial statements or nine months after the Organization's fiscal year end.

Condition: The County did not file a timely Data Collection Form.

Effect: Information related to the County's audited financial statements and federal grant programs is not available to grantors, oversight agencies, authorities and the public on a timely basis.

Cause: The Schedule of Expenditures of Federal and State Awards was not available for audit on a timely basis.

Recommendation: Financial personnel should prioritize preparation of the Schedule of Expenditures of Federal and State Awards.

View of responsible officials and planned corrective actions: The County agrees with this finding. The County will make necessary arrangements to have the report available in a timely manner.

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: 2018-005

Significant Deficiency

Eligibility

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

Condition: Three applicants did not have the proper documents to determine and conclude eligibility for Medicaid benefits.

Context: Out of a population of 7,063 case files, 96 Medicaid case files were audited for eligibility requirements. Of the 96 Medicaid case files the evidence improperly documented that the client did not have property, however the client did have property. One case file came back as inconclusive and was not followed up on. One case file did not have a timely and completed budget and eligibility determination. Redeterminations were made and the three case files still qualified for Medicaid benefits.

Effect: Lack of proper checks and timely documentation could cause an individual to improperly receive Medicaid benefits when they otherwise would not qualify. In addition, an individual could be excluded from benefits when they would otherwise qualify.

Identification of repeat finding: This is a repeat finding from the immediate previous two audits, Finding 2016-004 and 2017-002.

Cause: Human oversight in the eligibility documentation process.

Recommendation: Controls should be strengthened to ensure all required steps to determine eligibility have taken place and that all documents are completed. Increased second party reviews can strengthen controls.

Views of responsible officials and planned corrective actions:

Each month the quality assurance team (new as of 08/01/18) reviews two files per staff member. An agency form for property checks in both required systems was created and is in use. As cases were eligible once redetermined, no County cost was incurred. As of the date of this report finding 2018-005 has been resolved with DHHS.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

Finding: 2018-006

Significant Deficiency
Eligibility

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

Condition: Two applicants received assistance who did not qualify.

Context: Out of a population of 7,063 case files, 96 Medicaid case files were audited for eligibility requirements and two received excess benefits. The known excess amounts paid were \$262.25 and did not rise to the level of questioned costs.

Effect: Two applicants out of 96 case files received excess benefits.

Identification of repeat finding: This is a repeat finding from the immediate previous audit. See Finding 2017-003.

Cause: Human error or oversight in the eligibility determination process.

Recommendation: Controls should be strengthened to ensure all required steps to determine eligibility have taken place and that all documents are completed. Increased second party reviews can strengthen controls.

Views of responsible officials and planned corrective actions:

All SSI cases have been assigned to one caseworker to ensure eligibility is determined timely and accurately. The supervisor monitors reports monthly. As of the date of this report finding 2018-006 has been resolved with DHHS.

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: 2018-005 and 2018-006

N.C. Department of Public Safety

Passed through Scotland County, North Carolina
Program Name: Youth Empowerment to Succeed (YES)
Grant #583-12295

Finding 2018-007

Significant Deficiency
Monitoring

Criteria: Pass through entities should perform monitoring activities of sub recipients to ensure compliance with grant agreements.

Condition: One sub recipient was not monitored.

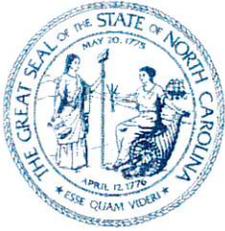
Context: Of three sub recipients, one was not monitored. The amount of funds not monitored was \$28,964.

Effect: Violations of grant agreements could more easily occur without proper monitoring oversight. Other grant agreement requirements could potentially be violated without corrective action.

Cause: Oversight by County personnel in identifying sub recipients to be monitored.

Recommendation: County personnel should immediately identify all sub recipients to be monitored.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will conduct a review of all sub recipients to monitor.



County of Scotland

507 West Covington Street
Laurinburg, North Carolina 28352
Telephone: (910) 277-2406
Fax: (910) 277-2411
www.scotlandcounty.org



Kevin Patterson
County Manager

Travis Allen
Clerk to the Board

Board of Commissioners
Whit Gibson, Chair
Carol McCall, Vice Chair
John T. Alford
Bob Davis
Betty Blue Gholston
Guy McCook
Clarence McPhatter II

SCOTLAND COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

Finding: 2018-001

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.

Finding: 2018-002

Name of contact person: Beth Hobbs - Finance Officer

Corrective Action: The finance department was displaced from their headquarters for several months due to flooding from Hurricane Florence. The finance officer was also selected for jury duty that extended over a month during the time of audit preparation. The County intends to file timely reports in the future.

Proposed Completion Date: Immediately.

Finding: 2018-003

Name of contact person: Beth Hobbs - Finance Officer

Corrective Action: The finance officer intends to review the asset and liability accounts in a timely manner to ensure that items are reconciled accordingly.

Proposed Completion Date: Immediately.



County of Scotland

507 West Covington Street
Laurinburg, North Carolina 28352
Telephone: (910) 277-2406
Fax: (910) 277-2411
www.scotlandcounty.org



Kevin Patterson
County Manager

Travis Allen
Clerk to the Board

Board of Commissioners
Whit Gibson, Chair
Carol McCall, Vice Chair
John T. Alford
Bob Davis
Betty Blue Gholston
Guy McCook
Clarence McPhatter II

SCOTLAND COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2018

Section III - Federal Award Findings and Questioned Costs

Finding: 2018-004

Name of contact person: Beth Hobbs - Finance Officer

Corrective Action: The finance officer will ensure that staff prepares the SEFA in a timely manner, so that the independent auditor can complete the audit and result in a timely filed data collection form.

Proposed Completion Date: Immediately.

Findings: 2018-005 and 2018-006

Name of contact person: Carolyn Lewellen and April Snead

Corrective Action: Each month the quality assurance team (new as of 08/01/18) reviews two files per staff member. An agency form for property checks in both required systems was created and is in use. As cases were eligible once redetermined, no County cost was incurred. All SSI cases have been assigned to one caseworker to ensure eligibility is determined timely and accurately. As of this date this finding has been resolved with DHHS. As of the date of this report findings 2018-005 and 2018-006 have been resolved with DHHS.

Proposed Completion Date: Immediately.

Section IV - State Award Findings and Questioned Costs

Findings: 2018-005 and 2018-006

See Federal Award Findings and Questioned Costs, Findings 2018-005 and 2018-006.

Finding: 2018-007

Name of Contact Person: Beth Hobbs, Finance Officer

Corrective Action: The finance office was short a position during the FY 2018 audit year. Currently the finance office is fully staffed and has an employee that is responsible for monitoring sub recipient grants. The County does not foresee this being an issue in future periods.

Proposed Completion Date: Immediately.

SCOTLAND COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2018

Finding 2017-001

Status: See Finding 2018-001.

Finding 2017-002

Status: See Finding 2018-005.

Finding 2017-003

Status: See Finding 2018-006.

SCOTLAND COUNTY, NORTH SCOTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>	<u>Local Expenditures</u>
Federal Awards:						
U.S. Dept. of Agriculture						
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	535,131	-	-	535,131
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	295,530	-	-	-
Total U.S. Department of Agriculture			<u>830,661</u>	<u>-</u>	<u>-</u>	<u>535,131</u>
U.S. Dept. of Transportation						
Passed-through the N.C. Department of Transportation: Formula Grants for Other than Urbanized Areas						
	20.509	2000000353	13,410	838	-	-
Formula Grants for Other than Urbanized Areas						
	20.509	2000000797	56,120	3,507	-	-
Passed-through the N.C. Department of Transportation: Bus and Bus Facilities Formula Program						
	20.526	2000022630	88,045	11,006	-	-
Total U.S. Dept. of Transportation			<u>157,575</u>	<u>15,351</u>	<u>-</u>	<u>-</u>
Institute of Museum and Library Services						
Passed-through the N.C. Department of Natural & Cultural Resources Library Services and Technology Act						
	45.310	LS-00-17-0034-17	1,215	-	-	-
Total Institute of Museum and Library Services			<u>1,215</u>	<u>-</u>	<u>-</u>	<u>-</u>
U. S. Department of Homeland Security						
Passed-through N.C. Dept. of Public Safety: Division of Emergency Management: Emergency Management Performance Grant						
	97.042	BMPG-2016-37165	650	-	-	-
Total U. S. Department of Homeland Security			<u>650</u>	<u>-</u>	<u>-</u>	<u>-</u>
U.S. Dept. of Health & Human Services						
Division of Social Services: Family Preservation						
	93.556	15113A15151	1,348	-	-	-
Temporary Assistance for Needy Families (TANF) Cluster TANF - Work First - Admin						
	93.558	G1202NCTANF	82,258	-	-	158,982
TANF - Work First						
	93.558	G1202NCTANF	469,965	-	-	5,759
Division of Public Health: TANF - Work First						
	93.558	G1202NCTANF	10,157	-	-	-
Total TANF Cluster			<u>562,380</u>	<u>-</u>	<u>-</u>	<u>164,741</u>
IV-D Administration						
	93.563	1204NC4005	687,523	-	-	354,178
IV-D Offset						
	93.563	1204NC4006	5,012	(4)	-	2,586
N.C. Dept. of Insurance						
SHIIP Grant						
	93.324	90SAPG0027-01-01	2,136	-	-	-
Foster Care and Adoption Cluster (Note 4)						
Foster Care - Title IV-E						
	93.658	1201NC1401	245,714	28,568	-	216,960
Foster Care Title IV-E						
	93.658	1201NC1401	111,813	26,798	-	28,124
Adoption Assistance						
	93.659	1201NC1407	2,971	-	-	2,970
Total Foster Care and Adoption Cluster (Note 4)			<u>360,498</u>	<u>55,365</u>	<u>-</u>	<u>248,055</u>
Refugee and Entrant Assistance - State Administered Program						
	93.566	G12AANC4110	1,441	-	-	-
Total Refugee and Entrant Assistance			<u>1,441</u>	<u>-</u>	<u>-</u>	<u>-</u>
Low-Income Home Energy Assistance: Administration						
	93.568	G12BNCLIEA	43,378	-	-	-
Energy Assistance Payments						
	93.568	G12BNCLIEA	256,249	-	-	-
Crisis Intervention Program						
	93.568	G12BNCLIEA	252,015	-	-	-
Total Low-Income Home Energy Assistance			<u>551,642</u>	<u>-</u>	<u>-</u>	<u>-</u>
Stephanie Tubbs Jones Child Welfare Services Program: - Permanency Planning - Families for Kids						
	93.645	G1201NC1400	9,626	-	-	3,209
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>9,626</u>	<u>-</u>	<u>-</u>	<u>3,209</u>
Independent Living Transitional Grant						
	93.674	G120NC1419	796	-	-	-

SCOTLAND COUNTY, NORTH SCOTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

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
LINKS - Transitional Funds	93.674	G120NC1420	1,948	487	-	-
Division of Aging and Adult Services:						
Division of Social Services:						
SSBG - Other Service and Training	93.667	G120NCS0SR	193,508	-	-	64,502
SSBG - State In Home Services Over 60	93.667	G120NCS0SR	6,715	-	-	959
SSBG - State Adult Day Care	93.667	G120NCS0SR	21,091	12,996	-	4,870
Total Social Service Block Grant			221,315	12,996	-	70,331
Division of Child Development and Early Education:						
Subsidized Child Care (Note 4)						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Development Mandatory and Match Fund- Administration	93.596	47013123	60,617	-	-	-
Total Subsidized Child Care (Note 4)			60,617	-	-	-
Division of Child Development:						
Child Care and Development Block Grant - Discretionary	93.575	13801810TB83 & 13801810TK83	334,445	-	-	-
Child Care and Development Fund -- Mandatory	93.596	13801810MN83 &13801810MP83	77,260	-	-	-
Child Care and Development Fund -- Match	93.596	13801810VB83, 13801810VD83, & 13801810V183	67,272	32,990	-	-
Total Child Care Development Fund Cluster			539,594	32,990	-	-
TANF	93.558	13801810T283	47,919	-	-	-
Smart Start		566000339	-	-	-	-
TANF-MOE		13811740TM83 & 13801810T683	-	42,491	-	-
State Appropriations		138018120083	-	132,980	-	-
Total Subsidized Child Care (Note 4)			587,513	208,461	-	-
Passed-through the N.C. Dept. of Health & Human Serv.:						
Division of Medical Assistance:						
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	5-1205NC5MAP	1,137,763	(4,362)	-	502,017
Total Medical Assistance Program			1,137,763	(4,362)	-	502,017
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767	1715376H1	5,709	2	-	-
Total State Children's Insurance Program - N.C. Health Choice			5,709	2	-	-
U.S. Department of Housing and Urban Development:						
Passed-through the N.C. Dept. of Commerce:						
Small Cities Community Development Block Grant	14.228	16-E-2900	341,276	-	-	-
Total N.C. Dept. of Commerce			341,276	-	-	-
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)	93.074	1264-2680EU	30,820	-	-	-
Project Grants and Cooperative Agreements for Control Programs	93.116	5U52PS416676	50	-	-	-
Family Planning Services	93.217	FPH040648-02-00	29,077	-	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	93.539	3H23IP000759-04	15,238	-	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	3B01DP009034-13W2	39,984	-	-	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	1H25PS004349	692	-	-	-
Maternal and Child Health Services Block Grant	93.994	B04MC26685	71,475	53,612	-	-
Total U.S. Dept. of Health and Human Services			4,323,985	326,557	-	1,345,117
Total Federal Awards			5,655,362	341,907	-	1,880,248

SCOTLAND COUNTY, NORTH SCOTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

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
State Awards:						
N.C. Dept. of Administration						
Veterans Service		DMVACNTYGRANT79	-	2,175	-	-
Total N.C. Dept. of Administration			-	2,175	-	-
N.C. Dept. of Agriculture and Consumer Services						
Division of Soil and Water Conservation		18-024-4001	-	26,311	-	3,600
Total N.C. Dept. of Agriculture and Consumer Services			-	26,311	-	3,600
N.C. Dept. of Cultural and Natural Resources						
Division of State Library						
State Aid to Public Libraries		56-6000339-E	-	106,386	-	-
N.C. Department of Environmental Quality						
Division of Waste Management						
Scrap Tire Program		SWS916	-	3,070	-	-
Total N.C. Dept. Environmental Quality			-	3,070	-	-
N.C. Dept. of Health and Human Services						
Division of Social Services						
State Child Welfare/CPS/CS/CS LD		566000339	-	171,184	-	-
DCD Smart Start		566000339	-	16,605	-	-
Energy Assistance Private Grant		566000339	-	3,068	-	-
Foster Care		566000339	24,318	-	-	-
AFDC Incentive Program		566000339	-	474	-	-
State Foster Care		566000339	-	29,592	-	29,592
CWS Adoption Subsidy		566000339	-	-	-	27,814
SAA/SAD HB 1030		566000339	-	19,618	-	20,468
State and County Special Assistance for Adults		566000339	-	-	-	298,821
SFHF Maximum		566000339	-	4,231	-	4,230
Total Division of Social Services			24,318	244,772	-	380,925
Division of Public Health						
General Aid to Counties		11011614110	-	104,491	-	-
General Communicable Disease Control		51011754510	-	7,855	-	-
Family Planning		566000339	-	17,419	-	-
Child Health		B04MC23398	-	2,339	-	-
Women's Health Service Fund		15113A16012	-	6,900	-	-
Food and Lodging		87311534751	-	5,070	-	-
Maternal Health		B04MC23398	-	10,426	-	-
HIV/STD State		53613114536	-	500	-	-
Public Health Nursing		566000339	-	400	-	-
Gonorrhea Partner Services		566000339	-	858	-	-
Tuberculosis		55114604551	-	14,552	-	-
Total Division of Public Health			-	170,810	-	-
Total N. C. Department of Health and Human Services			24,318	415,582	-	380,925
N.C. Dept. of Public Instruction						
Public School Building Capital Fund - Lottery Proceeds		LEA 830	-	367,871	367,871	-
Total N.C. Dept. of Public Instruction			-	367,871	367,871	-
N.C. Dept. of Public Safety						
JCPC Administration		583-11473	-	11,998	11,998	-
Scots for Youth		583-10939	-	111,368	111,368	-
Youth Empowered to Succeed (YES)		583-12295	-	28,964	28,964	-
Total N.C. Department of Public Safety			-	152,330	152,330	-
N.C. Dept. of Transportation						
Rural Operating Assistance Program (ROAP) Cluster						
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	57,034	-	-
- ROAP Rural General Public Program		DOT-16CL	-	62,196	-	-
- ROAP Work First Transitional - Employment		DOT-16CL	-	3,900	-	-
Total ROAP Cluster			-	123,130	-	-
Total State Awards			24,318	1,196,855	520,201	761,849
Total Federal and State Awards			<u>\$ 5,679,680</u>	<u>\$ 1,538,762</u>	<u>\$ 520,201</u>	<u>\$ 2,642,097</u>

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, 2018. 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.

Note 3: Indirect Cost Rate

SCOTLAND County has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Cluster of Programs

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

