

Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2008



SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

J. D. Willis, Chairman

Betty B. Gholston, Vice Chairperson

John T. Alford, Commissioner

Guy McCook, Commissioner

Leon Butler, Commissioner

Joyce McDow, Commissioner

Clarence McPhatter, II, Commissioner

COUNTY OFFICIALS

Ann W. Kurtzman, Clerk to Board

Kevin G. Patterson, County Manager

Scotland County, North Carolina
Table of Contents
June 30, 2008

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

ExhibitPage

Notes to the Financial Statements 24-49

Required Supplemental Financial Data:

A-1 Law Enforcement Officers' Special Separation Allowance -
Schedule of Funding Progress 50

A-2 Law Enforcement Officers' Special Separation Allowance -
Schedule of Employer Contributions and Notes to the Required
Financial Schedules 51

Combining and Individual Fund Statements and Schedules:

B General Fund Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual 52-63

C-1 Combining Balance Sheet - Nonmajor Governmental Funds 64

C-2 Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental
Funds 65

C-3 Capital Reserve Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual 66

C-4 Fire Service District Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual 67

C-5 Revaluation Fund Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual 68

C-6 Emergency Telephone System Fund Schedule of Revenues,
Expenditures, and Changes in Fund Balances - Budget and Actual 69

C-7 Community Development Block Grant Schedule of Revenues,
Expenditures, and Changes in Fund Balances - Budget and Actual 70

C-8 Spec Building Capital Project Schedule of Revenues,
Expenditures, and Changes in Fund Balances - Budget and Actual 71

C-9 Courthouse Building Capital Project Schedule of Revenues,
Expenditures, and Changes in Fund Balances - Budget and Actual 72

C-10 Youth Center Task Force Schedule of Revenues,
Expenditures, and Changes in Fund Balances - Budget and Actual 73

<u>Exhibit</u>		<u>Page</u>
D-1	Public Works Fund Schedule of Revenues and Expenditures - Budget and Actual	74
D-2	Water District Phase I Fund Schedule of Revenues and Expenditures - Budget and Actual	75
D-3	Water District Phase II Fund Schedule of Revenues and Expenditures - Budget and Actual	76
D-4	Water Project II Capital Project Fund Schedule of Revenues and Changes in Fund Balances - Budget and Actual	77
	Other Schedules	
E-1	Schedule of Ad Valorem Taxes Receivable	78
E-2	Analysis of Current Tax Levy - County-wide Levy	79
E-2A	Secondary Market Disclosures	80
E-2B	Ten Largest Taxpayers	81
F	Agency Funds Combining Statement of Changes in Assets and Liabilities	82
	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>	83-84
	Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	85-86
	Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act	87-88
	Schedule of Findings and Questioned Costs	89-93
	Schedule of Expenditures of Federal and State Awards	94-101

FINANCIAL SECTION

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

FAX 910-276-1995

MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CHARLES D. SMITH, CPA
WM. TED CURRIE, CPA
CARL L. HEAD, CPA

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

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Scotland County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Scotland County ABC Board, which represents 26.49 percent, 18.85 percent and 36.31 percent, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us; and our opinion, insofar as it relates to the amounts included for the Scotland County ABC Board, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Scotland County ABC Board were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2009 on our consideration of Scotland County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

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

February 20, 2009

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, 2008. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

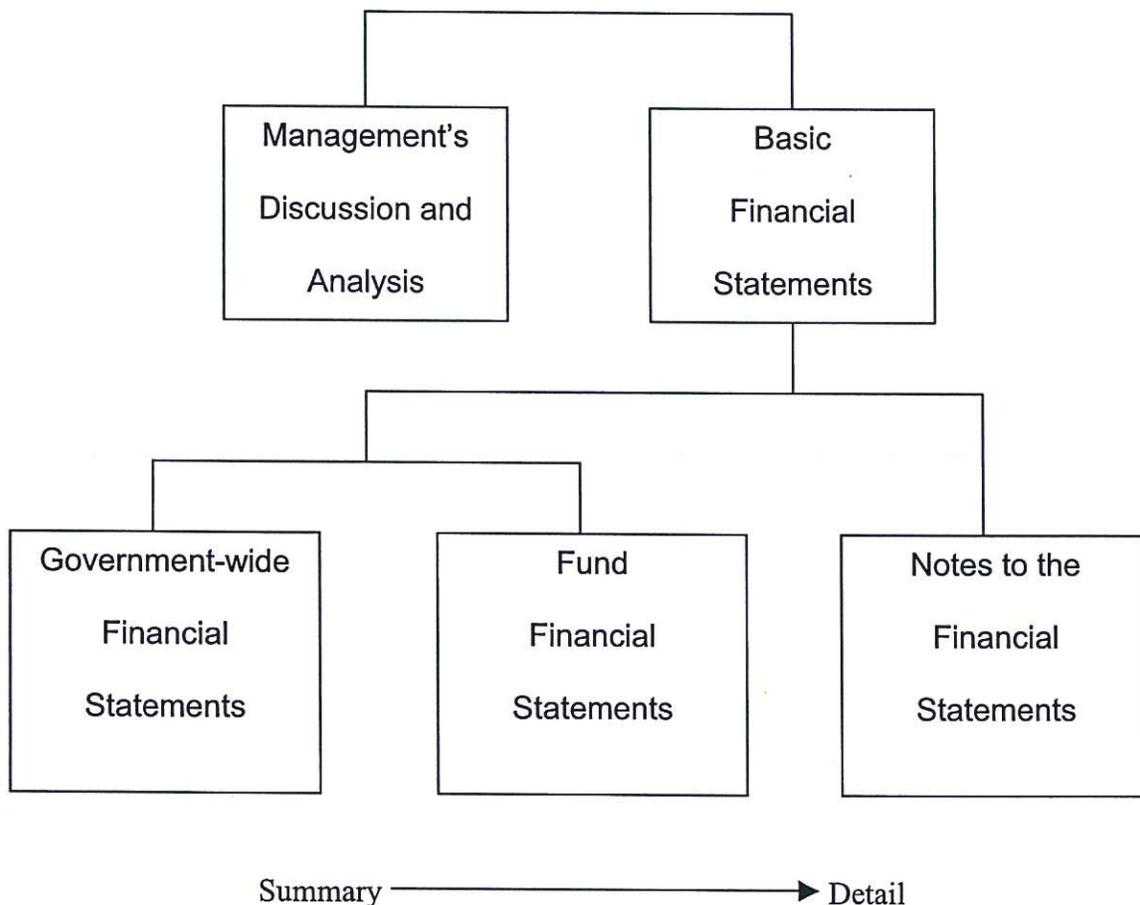
- The assets of Scotland County exceeded its liabilities at the close of the fiscal year by \$12,267,408 (*net assets, exhibit 1*).
- The government's total net assets increased by \$1,484,901 primarily due to increased net assets in the General Fund.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$13,484,654 (*exhibit 3*) a decrease of \$2,147,475 in comparison with the prior year. Approximately 67.87 percent of this total amount, or \$9,151,891, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$6,605,060, or 16.25 percent of total General Fund expenditures for the fiscal year.
- Scotland County's total debt decreased by principal payments of \$1,240,137 (5.2%) during the fiscal year.
- Scotland County maintained its Aaa bond rating.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Scotland County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 50 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Scotland County exceeded liabilities by \$12,267,408 as of June 30, 2008. The County's net assets increased by \$1,484,901 (exhibit 2) for the fiscal year ended June 30, 2008. The County will continue to seek every method of containing costs but does not expect to be able to achieve similar results next year. It is important for the reader to note that Scotland County is financing the long term debt of school properties without the ability to maintain the ownership of the land, buildings, or other improvements, which would typically be listed as offsetting assets on the Statement of Net Assets. Scotland County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Scotland County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of Scotland County's net assets 18.54% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,613,441 (Exhibit 1) is unrestricted.

Scotland County's Net Assets

Figure 2

	SCOTLAND COUNTY'S NET ASSETS					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 17,524,755	\$ 19,762,941	\$ 920,510	\$ 190,891	\$ 18,445,265	\$ 19,953,832
Capital assets	7,150,508	5,074,990	10,485,638	10,807,837	17,636,146	15,882,827
Total assets	\$ 24,675,263	\$ 24,837,931	\$ 11,406,148	\$ 10,998,728	\$ 36,081,411	\$ 35,836,659
Long-term liabilities outstanding	\$ 14,680,775	\$ 14,125,507	\$ 8,274,898	\$ 8,171,752	\$ 22,955,673	\$ 22,297,259
Other liabilities	829,107	2,574,664	29,224	182,228	858,331	2,756,892
Total liabilities	\$ 15,509,882	\$ 16,700,171	\$ 8,304,122	\$ 8,353,980	\$ 23,814,004	\$ 25,054,151
Net assets:						
Invested in capital assets, net of related debt	\$ 4,802,742	\$ 2,752,430	\$ 3,576,137	\$ 3,434,512	\$ 8,378,879	\$ 6,186,942
Restricted	2,275,088	2,371,555	-	-	2,275,088	2,371,555
Unrestricted	2,087,551	3,013,775	(474,110)	(789,764)	1,613,441	2,224,011
Total net assets	\$ 9,165,381	\$ 8,137,760	\$ 3,102,027	\$ 2,644,748	\$ 12,267,408	\$ 10,782,508

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

- Continued diligence in the collection of property taxes by keeping our collection percentage around 94% and striving to improve collectibility.
- Continued utilization of management's successful cost containment strategies, which have resulted in strong cash reserves.
- Continued low cost of debt due to aggressive structuring of debt issuances and refinancing and the County's high bond rating.

Scotland County Changes in Net Assets
Figure 3

SCOTLAND COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 2,780,166	\$ 2,588,559	\$ 3,380,218	\$ 3,069,877	\$ 6,160,384	\$ 5,658,436
Operating grants and contributions	8,167,727	8,450,537	-	-	8,167,727	8,450,537
Capital grants and contributions	358,238	503,713	-	-	358,238	503,713
General revenues:						
Property taxes	20,490,801	20,500,296	-	-	20,490,801	20,500,296
Local option sales tax	7,960,605	8,108,370	-	-	7,960,605	8,108,370
Other taxes	329,907	392,595	-	-	329,907	392,595
Grants and contributions not restricted to specific programs	-	967,335	-	-	-	967,335
Interest investment earnings	759,724	-	-	-	759,724	-
Other	495,951	268,216	-	-	495,951	268,216
Total revenues	\$ 41,343,119	\$ 41,779,621	\$ 3,380,218	\$ 3,069,877	\$ 44,723,337	\$ 44,849,498
Expenses:						
General government	3,401,504	3,434,966	-	-	3,401,504	3,434,966
Public safety	6,710,274	5,330,444	-	-	6,710,274	5,330,444
Economic and physical development	1,511,899	1,003,127	-	-	1,511,899	1,003,127
Human services	14,881,758	15,107,089	-	-	14,881,758	15,107,089
Cultural and recreation	696,680	676,914	-	-	696,680	676,914
Other expenditures	206,826	551,525	-	-	206,826	551,525
Education	12,127,500	11,435,453	-	-	12,127,500	11,435,453
Revaluation	110,676	73,208	-	-	110,676	73,208
Interest on long-term debt	668,381	668,000	-	-	668,381	668,000
Solid waste	-	-	1,802,420	2,307,567	1,802,420	2,307,567
Water district I	-	-	547,597	616,946	547,597	616,946
Water district II	-	-	572,921	600,731	572,921	600,731
Total expenses	\$ 40,315,498	\$ 38,280,726	\$ 2,922,938	\$ 3,525,244	\$ 43,238,436	\$ 41,805,970
Increase (decrease) in net assets						
before transfers	1,027,621	3,498,895	457,280	(455,367)	1,484,901	3,043,528
Transfers	-	(300,000)	-	300,000	-	-
Increase (decrease) in net assets	1,027,621	3,198,895	457,280	(155,367)	1,484,901	3,043,528
Net assets, July 1	8,137,760	4,938,865	2,644,748	2,800,114	10,782,508	7,738,979
Net assets, June 30	\$ 9,165,381	\$ 8,137,760	\$ 3,102,028	\$ 2,644,747	\$ 12,267,409	\$ 10,782,507

Governmental activities. Governmental activities increased the County's net assets by 1,027,621. The increase was due to the continued control of expenditures and grant revenue.

Business-type activities: Business-type activities increased Scotland County's net assets by \$457,280. The Proprietary Funds had an increase in net assets primarily due to control of expenditures.

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, unreserved fund balance 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, unreserved fund balance of the General Fund was \$6,605,060, while total fund balance reached \$11,768,888. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16.25 percent of total General Fund expenditures, while total fund balance represents 28.95 percent of that same amount.

At June 30, 2008, the governmental funds of Scotland County reported a combined fund balance of \$13,484,654 a 13.74 percent decrease over last year. The primary reason for this decrease is expenditures for capital projects in the governmental funds.

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

1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund decreased revenues by \$504,873.

Proprietary Funds. Scotland County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Public Works-Solid Waste Fund at the end of the fiscal year amounted to (\$1,248,552), and those for the Water District I Fund equaled \$767,208, and those for the Water District II Fund equaled \$7,234. The total change in net assets for these Funds was (\$22,537), \$38,918 and \$440,899, respectively.

Capital Asset and Debt Administration

Capital assets. Scotland County's capital assets for its governmental and business-type activities as of June 30, 2008 totals \$17,636,146 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of new vehicles and equipment for the Public Safety Department
- Addition of assets for the recreation center
- Purchase of equipment for the landfill

Scotland County's Capital Assets
Figure 4

SCOTLAND COUNTY'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities 2008	Governmental Activities 2007	Business-type Activities 2008	Business-type Activities 2007	Total 2008	Total 2007
Land	\$ 1,313,332	\$ 1,313,332	\$ 239,684	\$ 239,684	\$ 1,553,016	\$ 1,553,016
Buildings and system	2,442,714	1,422,973	9,976,046	9,964,226	12,418,760	11,387,199
Machinery and equipment	249,347	278,863	157,424	122,618	406,771	401,481
Vehicles and motorized equipment	966,888	966,027	112,484	112,484	1,079,372	1,078,511
Construction in progress	<u>2,178,227</u>	<u>1,093,795</u>	<u>-</u>	<u>368,825</u>	<u>2,178,227</u>	<u>1,462,620</u>
Total	<u>\$ 7,150,508</u>	<u>\$ 5,074,990</u>	<u>\$ 10,485,638</u>	<u>\$ 10,807,837</u>	<u>\$ 17,636,146</u>	<u>\$ 15,882,827</u>

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

Long-term Debt. As of June 30, 2008 Scotland County had total bonded debt outstanding of \$11,510,000 all of which is debt backed by the full faith and credit of the County.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$11,510,000	\$12,490,000	\$6,909,500	\$7,004,500	\$18,419,500	\$ 19,494,500

Scotland County's total debt decreased by \$1,049,794 during the past fiscal year, due to principal payments.

As mentioned in the financial highlights section of this document, Scotland County maintained for the 18th consecutive year, its Aaa bond rating from Moody's Investor Service. This bond rating is a clear indication of the sound financial condition of Scotland County. Scotland County is one of the few counties in the country that maintains the highest financial rating from both major rating agencies. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Scotland County is \$140,660,210.

Additional information regarding Scotland County's long-term debt can be found in Note III.B.7. beginning on page 46 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

- The County's unemployment rate is one of the highest in the state at 10.7% higher than the state average of 6.2%.
- Waverly Mills announced the closing of its Laurinburg facility as of December 2008. This will result in the loss of 60 jobs.
- Omni Systems has begun moving operations to Scotland County. This will result in the creation of 60-80 jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2009

Governmental Activities: Property tax valuations are expected to have growth of 1%. Sales taxes are expected to be flat.

Expenditures are expected to increase by 2.0%. Both education and operating expenditures are expected to increase by the same amount.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Scotland County, PO Box 489, Laurinburg, NC 28353.

Scotland County, North Carolina
Statement of Net Assets
June 30, 2008

	Primary Government		Component Units			
	Governmental Activities	Business-type Activities	Total	Scotland County Memorial Library	Scotland County ABC Board	Scotland County Historic Properties Commission
Assets						
Cash and cash equivalents	13,834,002	663,956	14,497,958	226,603	46,382	30,945
Inventories					238,668	
Receivables (net):						
Taxes	3,152,627		3,152,627			
Accounts	57,751	510,203	567,954			
Due from other governments	226,726		226,726			
Due to (from) other funds	253,649	(253,649)	-			
Prepaid expenses				13,085	150	
Capital assets:						
Land, improvements and construction in progress	3,491,559	239,684	3,731,243		19,000	195,000
Other capital assets, net of depreciation	3,658,949	10,245,954	13,904,903	134,223	62,902	448,830
Total capital assets	7,150,508	10,485,638	17,636,146	134,223	81,902	643,830
Total assets	24,675,263	11,406,148	36,081,411	373,911	367,102	674,775
Liabilities						
Accounts payable and accrued liabilities	748,187	29,224	777,411	42,565	133,351	-
Unearned revenues	80,920		80,920			
Long-term liabilities:						
Due within one year	1,362,375	99,000	1,461,375			
Due in more than one year	13,318,400	8,175,898	21,494,298			
Total liabilities	15,509,882	8,304,122	23,814,004	42,565	133,351	-
Net assets						
Invested in capital assets, net of related debt	4,802,742	3,576,137	8,378,879			643,830
Restricted for:						
Education	2,275,088		2,275,088			
Unrestricted	2,087,551	(474,110)	1,613,441	331,346	233,751	30,945
Total net assets	9,165,381	3,102,027	12,267,408	331,346	233,751	674,775

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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Units				
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Primary Government			Component Units					
					Governmental Activities	Business-type Activities	Total	Scotland County Memorial Library	Scotland County ABC Board	Scotland County Historic Properties Commission			
Primary government:													
Governmental activities:													
General government	3,401,504	120,057			(3,281,447)			(3,281,447)					
Public safety	6,710,274	1,360,923	194,251	358,238	(5,155,100)			(5,155,100)					
Economic and physical development	1,511,899	394,974			(758,687)			(758,687)					
Human services	14,881,758	281,666	7,973,476		(6,626,616)			(6,626,616)					
Cultural and recreational	696,680	143,147			(553,533)			(553,533)					
Other expenditures	206,826				(206,826)			(206,826)					
Intergovernmental:													
Education	12,127,500	479,399			(11,648,101)			(11,648,101)					
Revaluation	110,676				(110,676)			(110,676)					
Interest on long-term debt	668,381				(668,381)			(668,381)					
Total governmental activities	40,315,498	2,780,166	8,167,727	358,238	(29,009,367)	-	-	(29,009,367)	-	-	-	-	-
Business-type activities:													
Public Works	1,802,420	1,779,883	3,582,303		(22,537)			(22,537)					
Water District Phase I	547,597	586,515			38,918			38,918					
Water District Phase II	572,921	1,013,820			440,899			440,899					
Total business-type activities	2,922,938	3,380,218	-	-	457,280	-	-	457,280	-	-	-	-	-
Component units:													
Library	424,955		408,644		(16,311)			(16,311)					
ABC Board	1,239,184	1,237,859		17,000							1,325		
Historic Properties	43,588		38,358										
Total component units	1,707,727	1,237,859	447,002	17,000	-	-	-	(16,311)	-	-	1,325	11,770	11,770

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, 2008

	Net (Expense) Revenue and Changes in Net Assets					
	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Scotland County Memorial Library	Scotland County ABC Board	Scotland County Historic Properties Commission
General revenues:						
Taxes:						
Property taxes, levied for general purpose	20,490,801		20,490,801			
Local option sales tax	7,960,605		7,960,605			
Other taxes and licenses	329,907		329,907			
Investment earnings, unrestricted	759,724		759,724	6,282	2,168	
Miscellaneous, unrestricted	495,951		495,951	32,832		3,359
Total general revenues, special items, and transfers	30,036,988	-	30,036,988	39,114	2,168	3,359
Change in net assets	1,027,621	457,280	1,484,901	22,803	3,493	15,129
Net assets-beginning	8,137,760	2,644,748	10,782,508	308,544	240,313	659,646
Net assets-ending	9,165,381	3,102,028	12,267,409	331,347	243,806	674,775

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

Scotland County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	10,970,998	2,863,004	13,834,002
Receivables (net)			
Taxes	3,152,627		3,152,627
Accounts	56,512		56,512
Due from other governments	226,727	1,239	227,966
Due from enterprise funds	253,649		253,649
Due (to) from other funds	1,143,662	(1,143,662)	-
Total assets	15,804,174	1,720,581	17,524,755
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	801,740	4,815	806,555
Deferred revenues	3,152,627		3,152,627
Unearned revenue	80,920		80,920
Total liabilities	4,035,286	4,815	4,040,101
Fund balances:			
Reserved by State statute	1,680,550		1,680,550
Unreserved:			
Designated for subsequent year's expenditures	789,065		789,065
Designated for:			
Education	2,275,088		2,275,088
Law enforcement	99,185		99,185
Banking and insurance	319,940		319,940
Unreserved	6,605,060		6,605,060
Unreserved reported in nonmajor special revenue funds		2,546,831	2,546,831
Capital projects fund		(831,065)	(831,065)
Total fund balances	11,768,888	1,715,766	13,484,654
Total liabilities and fund balances	15,804,174	1,720,581	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,150,508
Liabilities for earned but deferred revenues in fund statements.	3,152,627
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(14,622,407)
Net assets of governmental activities	9,165,382

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	20,072,250	213,962	20,286,212
Local option sales taxes	7,889,537	71,068	7,960,605
Other taxes and licenses	80,204	249,703	329,907
Unrestricted intergovernmental	87,839		87,839
Restricted intergovernmental	8,750,224	358,238	9,108,462
Permits and fees	411,934		411,934
Sales and services	1,448,389		1,448,389
Investment earnings	756,664	3,060	759,724
Fines, forfeitures	455,268		455,268
Miscellaneous	495,951		495,951
Total revenues	40,448,260	896,031	41,344,291
Expenditures:			
General government	1,727,071		1,727,071
Public safety	6,248,382	368,589	6,616,971
Economic & physical development	1,153,661	1,933,958	3,087,619
Central service	1,516,994		1,516,994
Human services	14,906,414		14,906,414
Cultural and recreational	760,251	602,507	1,362,758
Other expenditures	206,826		206,826
Education	12,127,500		12,127,500
Revaluation		110,676	110,676
Debt service:			
Principal	1,343,897	44,367	1,388,264
Interest	655,551	12,830	668,381
Total expenditures	40,646,547	3,072,927	43,719,474
Excess of revenues (under) expenditures	(198,287)	(2,176,896)	(2,375,183)
Other financing sources (uses):			
Proceeds from installment financing note		433,470	433,470
Transfers (to) from other funds	(100,000)	100,000	-
Transfers (to) component units	(205,762)		(205,762)
Total other financing sources (uses)	(305,762)	533,470	227,708
Net change in fund balance	(504,049)	(1,643,426)	(2,147,475)
Fund balances-beginning	12,272,937	3,359,192	15,632,129
Fund balances-ending	<u>11,768,888</u>	<u>1,715,766</u>	<u>13,484,654</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
 For the Year Ended June 30, 2008

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

Net changes in fund balances - total governmental funds		(2,147,475)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		2,075,518
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		204,589
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		954,794
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.		
Compensated absences	(78,459)	
Net pension obligation	<u>18,654</u>	<u>(59,805)</u>
Total changes in net assets of governmental activities		<u><u>1,027,621</u></u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	19,723,235	19,723,235	20,072,250	349,015
Local option sales taxes	7,590,567	8,095,440	7,889,537	(205,903)
Other taxes and licenses	59,000	59,000	80,204	21,204
Unrestricted intergovernmental	80,000	80,000	87,839	7,839
Restricted intergovernmental	10,483,874	10,483,874	8,750,224	(1,733,650)
Permits and fees	413,150	413,150	411,934	(1,216)
Sales and services	1,165,078	1,165,078	1,448,389	283,311
Investment earnings	700,000	700,000	756,664	56,664
Fines, forfeitures	400,000	400,000	455,268	55,268
Miscellaneous	442,117	442,117	495,951	53,834
Total revenues	41,057,021	41,561,894	40,448,260	(1,113,634)
Expenditures:				
General government	2,021,477	2,034,827	1,727,071	307,756
Public safety	6,537,509	6,647,509	6,248,382	399,127
Economic and physical development	1,471,693	1,471,693	1,153,661	318,032
Central services		1,693,815	1,516,994	176,821
Human services	16,260,181	16,280,181	14,906,414	1,373,767
Cultural and recreational	894,905	894,905	760,251	134,654
Other expenditures	596,255	671,527	206,826	464,701
Intergovernmental:				
Education	12,369,404	12,369,404	12,127,500	241,904
Debt service:				
Principal	1,343,897	1,343,897	1,343,897	-
Interest	655,551	655,551	655,551	-
Total expenditures	42,150,872	44,063,309	40,646,547	3,416,762
Excess of revenues (under) expenditures	(1,093,851)	(2,501,415)	(198,287)	2,303,128
Other financing sources (uses):				
Transfers (to) other funds	(100,000)	(100,000)	(100,000)	-
Transfers (to) component units	(212,262)	(212,262)	(205,762)	6,500
Total other financing sources (uses)	(312,262)	(312,262)	(305,762)	6,500
Appropriated fund balance	1,406,113	2,813,677		2,813,677
Net change in fund balance	-	-	(504,049)	(504,049)
Fund balances - beginning			12,272,937	
Fund balances - ending			<u>11,768,888</u>	

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

Scotland County, North Carolina

Statement of Net Assets

Proprietary Funds

June 30, 2008

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	251,379	183,082	229,496	663,956
Accounts receivable, net	147,976	218,688	143,538	510,203
Due (to) from other funds		365,800	(365,800)	-
Total current assets	399,355	767,570	7,233	1,174,159
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	239,684			239,684
Other capital assets, net of depreciation	377,224	3,193,423	6,675,306	10,245,954
Total capital assets	616,908	3,193,423	6,675,306	10,485,638
Total assets	1,016,263	3,960,993	6,682,540	11,659,797
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	28,861	363		29,224
Due to other funds	253,649			253,649
General obligation bonds payable		33,500	65,500	99,000
Total current liabilities	282,510	33,863	65,500	381,873
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,346,109			1,346,109
Compensated absences payable	19,289			19,289
General obligation bonds payable		1,863,000	4,947,500	6,810,500
Total noncurrent liabilities	1,365,398	1,863,000	4,947,500	8,175,898
Total liabilities	1,647,908	1,896,863	5,013,000	8,557,770
NET ASSETS				
Invested in capital assets, net of related debt	616,908	1,296,923	1,662,306	3,576,137
Unrestricted	(1,248,552)	767,208	7,234	(474,110)
Total net assets	(631,644)	2,064,131	1,669,540	3,102,026

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

Scotland County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Enterprise Funds			Total
	Public Works Fund	Blended Component Units		
		Water District Phase I Fund	Water District Phase II Fund	
Operating revenues:				
Charges for services	1,438,747	575,015	434,657	2,448,419
Water taps		11,500	16,638	28,138
Other operating revenues	<u>341,137</u>			<u>341,137</u>
Total operating revenues	1,779,884	586,515	451,295	2,817,694
Operating expenses:				
Landfill operations	1,586,990			1,586,990
Water purchases		173,454	105,775	279,229
Water operations		166,893	67,680	234,573
Landfill closure and postclosure care costs	96,150			96,150
Depreciation	<u>119,281</u>	<u>113,236</u>	<u>183,736</u>	<u>416,253</u>
Total operating expenses	1,802,421	453,583	357,191	2,613,195
Operating income (loss)	(22,537)	132,932	94,104	204,499
Nonoperating (expenses):				
Federal and state grants			561,000	561,000
Interest		<u>(94,014)</u>	<u>(215,730)</u>	<u>(309,744)</u>
Total nonoperating (expenses)	-	(94,014)	345,270	251,256
Income (loss) before transfers	(22,537)	38,918	439,374	455,755
Other financing sources:				
Capital contributions			<u>1,525</u>	<u>1,525</u>
Change in net assets	(22,537)	38,918	440,899	457,280
Total net assets - beginning	<u>(609,107)</u>	<u>2,025,214</u>	<u>1,228,641</u>	<u>2,644,748</u>
Total net assets - ending	<u>(631,644)</u>	<u>2,064,132</u>	<u>1,669,540</u>	<u>3,102,028</u>

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

Scotland County, North Carolina
Statement of Cash Flows
For the Year Ended June 30, 2008

	Business-type Activities			Totals June 30, 2008
	Enterprise Funds			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	2,031,946	604,804	458,523	3,095,273
Cash paid for goods and services	(1,385,515)	(339,984)	(173,455)	(1,898,954)
Cash paid to or on behalf of employees for services	<u>(498,383)</u>	<u>(53,989)</u>	<u> </u>	<u>(552,372)</u>
Net cash provided by operating activities	148,048	210,831	285,068	643,947
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase in due to (from) other funds		3,025	(339,367)	(336,342)
Capital contributions			<u>1,525</u>	<u>1,525</u>
Total cash flows provided by (used in) financing activities	-	3,025	(337,842)	(334,817)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(94,053)			(94,053)
Interest paid on bond maturities		(94,014)	(215,730)	(309,744)
Principal paid on bond maturities		(32,000)	(63,000)	(95,000)
Capital contributions federal grant			<u>561,000</u>	<u>561,000</u>
Net cash provided by (used in) capital and related financing activities	(94,053)	(126,014)	282,270	62,203
Net increase in cash and cash equivalents	53,995	87,842	229,496	371,333
Balances - beginning of the year	<u>197,384</u>	<u>95,240</u>	<u> </u>	<u>292,624</u>
Balances - end of the year	<u>251,379</u>	<u>183,082</u>	<u>229,496</u>	<u>663,957</u>

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

Scotland County, North Carolina
Statement of Cash Flows
For the Year Ended June 30, 2008

	Business-type Activities			Totals June 30, 2008
	Enterprise Funds			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	(22,537)	132,932	94,104	204,499
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	215,431	113,236	183,736	512,403
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	6,533	(35,698)	7,228	(21,937)
Increase in accounts payable and accrued liabilities	(58,366)	361		(58,005)
Increase in accrued vacation pay	<u>6,987</u>			<u>6,987</u>
Total adjustment	170,585	77,899	190,964	439,448
Net cash provided by operating activities	<u>148,048</u>	<u>210,831</u>	<u>285,068</u>	<u>643,947</u>

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

Scotland County, North Carolina
Fiduciary Fund
For the Year Ended June 30, 2008

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>87,071</u>
Liabilities	
Miscellaneous liabilities	<u>87,071</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, 2008

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Scotland County Water District Phase I Fund and Scotland County Water District Phase II Fund (the *District*) exists to provide and maintain a water system for the county residents within the district. The Districts are reported as enterprise funds in the County's financial statements. Scotland County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. Scotland County Memorial Library, Scotland County Historic Properties Commission, Scotland County ABC Board (the *Board*), 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 Districts.	None issued.
Scotland County Water District II	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the Districts.	None issued.
Scotland County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Scotland County Memorial Library	Discrete	Scotland County Memorial Library is a public library operated by a not-for-profit corporation. The County appoints the board of trustees for the Library and makes periodic appropriations to the Library.	Scotland County Memorial Library West Church Street Laurinburg, NC 28352
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. John Stewart, Chairperson 16100 Fieldcrest Road Laurinburg, NC 28352
Scotland County ABC Board	Discrete	The members of the ABC Boards' governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Scotland County ABC Board Lauchwood Drive Laurinburg, NC 28352

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

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

The County reports the following major governmental fund:

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

The County reports the following major enterprise funds:

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

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

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

The County reports the following fund types:

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Scotland County Board of Education; and the Motor Vehicle Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County.

Measurement Focus, Basis of Accounting

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Scotland County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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

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

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

C. Budgetary Data

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

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

The County pools moneys from several funds, except the Pension Trust Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Scotland County Memorial Library, the ABC Board, and Scotland County Historic Properties Commission consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2005. As allowed by state law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

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

5. Inventories and Prepaid Items

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

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

6. Capital Assets

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

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

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

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

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

7. Long-term Obligations

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

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

8. Compensated Absences

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

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

9. Net Assets/Fund Balances

Net Assets

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

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventories – portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for encumbrances – portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2008-2009 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$4,326,585 consists of several elements as follows:

Fixed assets	15,614,777
Less accumulated depreciation	<u>(8,464,269)</u>
Net capital assets	\$ 7,150,508

Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	3,152,627
---	-----------

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	(13,857,766)
Compensated absences	(718,234)
Net pension obligation	<u>(46,407)</u>
	(14,622,407)

Total adjustment	<u>\$ (4,319,272)</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 - total governmental funds and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. There are several elements of that total adjustment of \$3,175,096 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 2,582,060
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.	(506,542)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements	1,388,264
Issuance of long-term financing	(433,470)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(59,805)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/07	(2,948,038)
Recording of tax receipts deferred in the fund statements as of 6/30/08	<u>3,152,627</u>
Total adjustment	<u>\$ 3,175,096</u>

II. Stewardship, Compliance, and Accountability

A. Deficit in Net Assets

The Public Works Fund has a negative Net Assets as of June 30, 2008 in the amount of \$631,644. A corrective action plan has been outlined in the compliance section of this report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

The State Treasurer does not confirm this information with the County, the Library, the Historic Properties Commission or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Library, the Historic Properties Commission or the ABC Board under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Library, Historic Properties Commission and ABC Board have no formal policy regarding custodial credit risk for deposits.

At June 30, 2008, the County's deposits had a carrying amount of \$3,062,827 and a bank balance of \$2,945,528. Of the bank balance \$150,138 was covered by federal depository insurance, and \$325,000 in non-interest bearing deposits and \$2,433,897 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2008, Scotland County had \$3,000 cash on hand.

At June 30, 2008, the carrying amount of deposits for Scotland County ABC Board was \$46,382 and the bank balance was \$46,382. All of the bank balance was covered by federal depository insurance.

At June 30, 2008, the Library's deposits had a balance of \$226,603 and a bank balance of \$226,689. Of the bank balance, \$215,015 was covered by federal depository insurance. The remaining \$11,674 was covered by collateral held under the Pooling Method.

At June 30, 2008, the carrying amount of deposits for Scotland County Historic Properties Commission was \$30,945 and the bank balance was \$30,095. All of the bank balance was covered by federal depository insurance.

The County has no policy regarding custodial credit risk for deposits.

2. Investments

At June 30, 2008, the County's investments consisted of \$11,735,892 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

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

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

<u>Year</u> <u>Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2004	618,728	207,564	826,292
2005	690,468	167,298	857,766
2006	699,999	108,937	808,936
2007	643,152	48,236	691,388
2008	<u>692,203</u>	<u>39,802</u>	<u>723,005</u>
Total	<u>3,344,550</u>	<u>571,837</u>	<u>3,907,387</u>

4. Receivables

Receivables at the government-wide level at June 30, 2008, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Funds/ Governments	Total
Governmental activities:				
General	\$ 57,751	\$ 3,283,986	\$ 480,375	\$ 3,822,112
Total receivables	57,751	3,283,986	480,375	3,822,112
Allowance for doubtful accounts		(131,359)		(131,359)
Total - governmental activities	<u>\$ 57,751</u>	<u>\$ 3,152,627</u>	<u>\$ 480,375</u>	<u>\$ 3,690,753</u>
Business-type activities:				
Public works	\$ 147,976			\$ 147,976
Water district I	218,688			218,688
Water district II	143,538			143,538
Total - business-type activities	<u>\$ 510,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,202</u>

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

Local option sales tax	\$ 162,030
Sales tax refunds	64,696
Due from business type activities	253,649
Total	<u>\$ 480,375</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,313,332			\$ 1,313,332
Construction in progress	1,093,795	2,178,227	1,093,795	2,178,227
Total capital assets not being depreciated	<u>2,407,127</u>	<u>2,178,227</u>	<u>1,093,795</u>	<u>3,491,559</u>
Capital assets being depreciated:				
Buildings	4,857,507	1,140,984		5,998,491
Equipment	1,519,816	18,000		1,537,816
Vehicles and motor equipment	4,608,267	338,644	360,000	4,586,911
Total capital assets being depreciated	<u>10,985,590</u>	<u>1,497,628</u>	<u>360,000</u>	<u>12,123,218</u>
Less accumulated depreciation for:				
Buildings	3,434,534	121,243		3,555,777
Equipment	1,240,953	47,516		1,288,469
Vehicles and motor equipment	3,642,240	337,783	360,000	3,620,023
Total accumulated depreciation	<u>8,317,727</u>	<u>506,542</u>	<u>360,000</u>	<u>8,464,269</u>
Total capital assets being depreciated, net	<u>2,667,863</u>			<u>3,658,949</u>
Governmental activity capital assets, net	<u>\$ 5,074,990</u>			<u>\$ 7,150,508</u>

Primary Government

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

General government	\$ 77,136
Public safety	242,632
Central service	54,880
Human services	131,895
Total depreciation expense	<u>\$ 506,542</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Landfill				
Capital assets not being depreciated:				
Land	\$ 239,684			\$ 239,684
Capital assets being depreciated:				
Buildings	867,187			867,187
Improvements	244,816			244,816
Furniture and maintenance equipment	1,468,093	94,053		1,562,146
Vehicles	639,436			639,436
Total capital assets being depreciated	3,219,532	94,053	-	3,313,585
Less accumulated depreciation for:				
Buildings	685,263	41,888		727,151
Improvements	259,390	424		259,814
Furniture and maintenance equipment	1,345,475	59,247		1,404,722
Vehicles	526,952	17,721		544,673
Total accumulated depreciation	2,817,080	119,281	-	2,936,361
Total capital assets being depreciated, net	402,452			377,224
Landfill capital assets, net	642,136			616,908
Scotland County Water District I				
Capital assets not being depreciated:				
Land	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plant and distribution systems	4,529,450			4,529,450
Total capital assets being depreciated	4,529,450	-	-	4,529,450
Less accumulated depreciation for:				
Plant and distribution systems	1,222,791	113,236		1,336,027
Total accumulated depreciation	1,222,791	113,236	-	1,336,027
Total capital assets being depreciated, net	3,306,659			3,193,423
Scotland County Water District I capital assets, net	3,306,659			3,193,423
Scotland County Water District II				
Capital assets not being depreciated:				
Construction in progress	368,825		368,825	-
Total capital assets not being depreciated	368,825	-	368,825	-
Capital assets being depreciated:				
Plant and distribution systems	6,980,615	368,825		7,349,440
Total capital assets being depreciated	6,980,615	368,825	-	7,349,440
Less accumulated depreciation for:				
Plant and distribution systems	490,398	183,736		674,134
Total accumulated depreciation	490,398	183,736	-	674,134
Total capital assets being depreciated, net	6,490,217			6,675,306
Scotland County Water District II capital assets, net	6,859,042			6,675,306
Business-type activities capital assets, net	10,807,837			10,485,637

Discretely presented component units:

Activity for the Scotland County Memorial Library for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Buildings	160,279			160,279
Furniture and equipment	<u>353,735</u>	<u>85,623</u>		<u>439,358</u>
Total capital assets being depreciated	<u>514,014</u>	<u>85,623</u>	<u>-</u>	<u>599,637</u>
Total accumulated depreciation	<u>447,443</u>	<u>17,972</u>	<u>-</u>	<u>465,414</u>
Library capital assets, net	<u>\$ 66,571</u>			<u>\$ 134,223</u>

Activity for the ABC Board for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	173,477	4,827		178,304
Furniture and equipment	<u>46,805</u>	<u>19,916</u>		<u>66,721</u>
Total capital assets being depreciated	<u>220,282</u>	<u>24,743</u>	<u>-</u>	<u>245,025</u>
Total accumulated depreciation	<u>173,001</u>	<u>9,122</u>	<u>-</u>	<u>182,123</u>
ABC capital assets, net	<u>\$ 66,281</u>			<u>\$ 81,902</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 195,000	\$ -	\$ -	\$ 195,000
Capital assets being depreciated:				
Buildings	381,830	29,402		411,232
Furniture and equipment	<u>219,658</u>			<u>219,658</u>
Total capital assets being depreciated	<u>601,488</u>	<u>29,402</u>	<u>-</u>	<u>630,890</u>
Less accumulated depreciation	<u>160,850</u>	<u>21,209</u>	<u>-</u>	<u>182,060</u>
Commission capital assets, net	<u>\$ 635,637</u>			<u>\$ 643,830</u>

B. Liabilities

1. Payables & Accrued Liabilities

Payables at the government-wide level at June 30, 2008 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 141,959	\$ 601,413	\$ -	\$ 743,372
Other governmental	<u>4,815</u>	<u>-</u>	<u>-</u>	<u>4,815</u>
Total - governmental activities	<u>\$ 146,774</u>	<u>\$ 601,413</u>	<u>\$ -</u>	<u>\$ 748,187</u>
Business-type activities:				
Public works	\$ 3,953	24,909	\$ -	\$ 28,862
Water and sewer district	<u>362</u>	<u>-</u>	<u>-</u>	<u>362</u>
Total - business-type activities	<u>\$ 4,315</u>	<u>24,909</u>	<u>\$ -</u>	<u>\$ 29,224</u>

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.91% and 4.86%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement is 11.57% of annual covered payroll. The contribution requirements of members and of Scotland County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2008, 2007 and 2006 were \$490,990, \$466,323, and \$557,310, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2008, 2007 and 2006 were \$22,061, \$21,034 and \$19,622, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2007, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>37</u>
Total	<u>43</u>

2. Summary of Significant Accounting Policies:

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

3. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$70,152, or .70% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 23 years.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending 06-30-2008

(a) Employer annual required contribution	\$ 50,779
(b) Interest on net pension obligation	4,717
(c) Adjustment to annual required contribution	(3,998)
(d) Annual pension cost (a) + (b) + (c)	\$ 51,498
(e) Employer contributions made for fiscal year ending 06-30-2008	<u>70,152</u>
(f) (Decrease) in net pension obligation (d) – (e)	\$(18,654)
(g) Net pension obligation beginning of fiscal year	<u>65,061</u>
(h) Net pension obligation end of fiscal year (f) + (g)	<u>\$ 46,407</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	47,632	105.33%	79,462
2007	46,991	130.65%	65,061
2008	51,498	136.22%	46,407

c. Supplemental Retirement Income Plan

1. For Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2008 were \$108,254, which consisted of \$69,285 from the County and \$38,969 from the law enforcement officers.

(2) Other than Law Enforcement Officers

All employees, other than law enforcement officers, employed by the County participate in a Supplemental Retirement Income Plan, a defined contribution pension plan. Employees who have completed their probationary period and are enrolled in the Local Governmental Employees' Retirement System are eligible to participate in the Plan. For the year ended June 30, 2008, the governing body of the County authorized a contribution of 3.75 percent of employees' compensation to the Plan. Also, employees may make voluntary contributions to the Plan.

Total contributions for the year ended June 30, 2008 were \$534,235, which consisted of \$280,823 from the County and \$253,412 from the employees. The County's contributions and the employees' voluntary contributions represented 2.80 percent and 2.53 percent of the covered payroll amount, respectively.

d. Deferred Compensation Plan

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

e. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2008, the County's required and actual contributions were \$3,066.

f. Other Post Employment Benefits – Scotland County

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least fifteen years of creditable service with the County. The County pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates.

Currently 72 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2008 the County made payments for postretirement health benefit premiums of \$261,405. The County obtains health care coverage through private insurers.

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2008, the County made contributions to the State for death benefits of \$13,713. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .11% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

h. Pension Plan – Scotland County Memorial Library

The Library has adopted the Scotland County Memorial Library 403(b) Plan, which provides retirement benefits for its employees. All employees are eligible to participate in the Plan, except (1) employees who are members of a collective bargaining unit, (2) non-resident aliens, (3) students performing services described in Section 3121(b)(10) of the Internal Revenue Code, and (4) employees who work less than 20 hours per week. The Plan provides that the employer shall make matching contributions for each employee equal to 7% of the employee’s annual compensation. The Plan is funded through a custodial account with Merrill Lynch.

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 \$1,445,856 reported as landfill closure and postclosure care liability at June 30, 2008 represents a cumulative amount reported to-date based on the use of 75% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$188,705 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 2008. The County closed the Patterson Road facility in the year 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements.

4. Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ -	\$ 80,920
Taxes receivable, net (General)	<u>\$ 3,152,627</u>	<u>\$ -</u>
Total	<u>\$ 3,152,627</u>	<u>\$ 80,920</u>

5. Risk Management

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

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

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

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

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

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

6. Claims, Judgments and Contingent Liabilities

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

7. Long-Term Obligations

a. General Obligation Indebtedness

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

The County's general obligation bonds payable at June 30, 2008 are comprised of the following individual issues:

Serviced by the County's General Fund:

\$7,500,000 school series 1997 bonds due June 1 in installments of \$100,000 to \$380,000 through June 1, 2020; interest at 4.8% to 5.0% 4,560,000

\$5,600,000 school series 1998 bonds due June 1 in installments of \$75,000 to \$300,000 through June 1, 2019; interest at 4.25% to 4.4% 3,500,000

\$5,500,000 school series 1999 bonds due June 1 in installments of \$75,000 to \$300,000 through June 1, 2019; interest at 4.25% to 4.4% 3,450,000

Total 11,510,000

b. Installment Financing Contracts

\$4,224,329 1998 courthouse and jail expansion debt due March 1 in installments varying in amounts from \$70,000 to \$500,000 through July 15, 2011; interest rate 4.8% to 6.75% 1,608,663

\$350,000 2007 recreation center lighting project debt first payment due July 13, 2007 in monthly installments of \$4,766.38 through June, 2014; interest rate 3.89% 305,633

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

Total 13,857,766

Water District Bonds outstanding at June 30, 2008 in the amount of \$6,909,500 are obligations of the water district, a blended component unit of the County and are not obligations of the County. Payments due on this debt are as follows:

Year Ending June 30	Principal	Interest
2009	99,000	309,744
2010	104,500	305,507
2011	109,500	301,090
2012	115,000	298,455
2013	121,000	287,090
2014-2018	715,500	254,001
2019-2023	950,000	1,226,000
2024-2028	1,250,000	1,217,000
2029-2030	1,612,500	1,158,000
2031-2035	1,302,100	890,000
2036-2043	530,400	38,205
Total	<u>\$ 6,909,500</u>	<u>\$6,285,092</u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2009	1,362,373	616,252
2010	1,430,737	633,752
2011	1,450,989	651,688
2012	1,489,098	456,988
2013	1,515,000	345,876
2014-2018	4,509,877	298,789
2019-2023	2,099,692	167,334
Total	<u>\$ 13,857,766</u>	<u>\$3,170,679</u>

At June 30, 2008, Scotland County had a legal debt margin of \$140,660,210.

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, 2008:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 12,490,000		980,000	\$ 11,510,000	\$ 980,000
Net pension obligation	\$ 65,061		18,654	\$ 46,407	\$ -
Installment finance	\$ 2,322,561	433,470	408,264	\$ 2,347,767	\$ 382,375
Compensated absences	\$ 638,776	536,732	398,907	\$ 776,601	\$ -
Total governmental activities	\$ 15,516,398	\$ 970,202	\$ 1,805,825	\$ 14,680,775	\$ 1,362,375
Business-type activities:					
General obligation debt	\$ 7,004,500		95,000	\$ 6,909,500	\$ 99,000
Accrued landfill closure and postclosure care costs	\$ 1,249,950	96,159		\$ 1,346,109	\$ -
Compensated absences	\$ 12,302	22,440	15,453	\$ 19,289	\$ -
Total business-type activities	\$ 8,266,752	\$ 118,599	\$ 110,453	\$ 8,274,898	\$ 99,000

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2008, consist of the following:

From the General Fund to the Revaluation Fund to accumulate resources for the octennial revaluation of real property.

\$ 100,000

Due To and From Interfunds and Other Governments

General Fund:

Due from Public Works Fund for cash used in operations \$ 253,649

Due from Government Projects for cash used to construct projects \$ 1,143,662

Due from other governments for sales taxes \$ 226,727

\$ 1,624,038

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 \$23,614 to the Council during the fiscal year ended June 30, 2008.

Other Organizations

Richmond Community College, located at Hamlet, North Carolina, maintains a continuing education center in Laurinburg, North Carolina. The facility was deeded to Richmond Community College by the City of Laurinburg in 1987. Scotland County has no contractual obligation to provide financial support to Richmond Community College, has no equity interest but appoints two members of the governing board. The decision to honor requests for financial support by the college is discretionary with the Scotland County Board of Commissioners and is considered at budget consideration time. For the fiscal year ended June 30, 2008, Scotland County approved and paid the sum of \$102,025 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	45,742,568	23,944,149
Food stamp program	9,031,598	-
WIC	1,189,088	-
Title IV-E, foster care	211,200	56,755
Total	<u>\$ 56,174,454</u>	<u>\$ 24,000,904</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

On November 3, 2008, the \$4,746,000 series 1997 School Bond was refinanced to a 3.95% rate.

Required Supplemental Financial Data

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-01	-	433,148	433,148	0.00%	1,005,025	43.10%
12-31-02	-	459,600	459,600	0.00%	1,035,752	44.37%
12-31-03	-	422,584	422,584	0.00%	1,141,913	37.01%
12-31-04	-	459,664	459,664	0.00%	1,086,957	42.29%
12-31-05	-	456,930	456,930	0.00%	1,161,962	39.92%
12-31-06	-	512,929	512,929	0.00%	1,176,658	43.59%
12-31-07	-	495,150	495,150	0.00%	1,419,816	34.87%

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	-	0.00%
2004	-	0.00%
2005	-	0.00%
2006	-	0.00%
2007	-	0.00%
2008	-	0.00%

No employer contributions have been made due to the fact that the County has elected to fund the amounts necessary to provide the benefits earned by current appropriations.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	24 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% - 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		19,831,418	
Interest		240,832	
Total	19,723,235	20,072,250	349,015
Local option sales taxes:			
Article 39 one percent		2,515,773	
Article 40 one-half of one percent		2,142,112	
Article 42 one-half of one percent		1,749,774	
Article 44 one-half of one percent		1,481,878	
Total	8,095,440	7,889,537	(205,903)
Other taxes and licenses:			
Franchise tax	59,000	80,204	21,204
Unrestricted intergovernmental:			
Beer and wine tax		87,839	
Total	80,000	87,839	7,839
Restricted intergovernmental:			
State and federal grants		8,167,727	
Lottery proceeds		479,399	
Court facility fees		103,097	
Total	10,483,874	8,750,224	(1,733,650)
Permits and fees:			
Election fees		16,960	
Inspection fees		165,332	
Register of deeds		229,642	
Total	413,150	411,934	(1,216)

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, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues - continued:			
Sales and services:			
Jail and other fees		211,275	
Ambulance fees		812,301	
Recreation fees		143,147	
Health department fees		<u>281,666</u>	
Total	<u>1,165,078</u>	<u>1,448,389</u>	<u>283,311</u>
Investment earnings	700,000	756,664	56,664
Fines, forfeitures	400,000	455,268	55,268
Miscellaneous:			
Private donations		4,581	
Sheriff dept. - surveillance - shared revenue		13,361	
Other		<u>478,009</u>	
Total	<u>442,117</u>	<u>495,951</u>	<u>53,834</u>
 Total revenues	 41,561,894	 40,448,260	 (1,113,634)

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, 2008

	2008		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		52,538	
Other operating expenditures		15,888	
Capital outlay		18,000	
Total	86,579	86,426	153
Administration:			
Salaries and employee benefits		538,806	
Other operating expenditures		48,240	
Total	744,519	587,047	157,472
Elections:			
Salaries and employee benefits		135,291	
Other operating expenditures		52,638	
Total	217,174	187,929	29,245
Tax:			
Salaries and employee benefits		460,285	
Other operating expenditures		131,592	
Capital outlay		16,382	
Total	618,137	608,259	9,878
Legal:			
Contracted services	43,125	30,623	12,502
Register of deeds:			
Salaries and employee benefits		174,491	
Other operating expenditures		38,294	
Total	225,293	212,785	12,508

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, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures	100,000	14,004	85,996
Total general government	2,034,827	1,727,071	307,756
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,152,608	
Other operating expenditures		373,056	
Capital outlay		119,244	
Total	2,668,192	2,644,908	23,284
Jail:			
Salaries and employee benefits		836,433	
Other operating expenditures		681,414	
Total	1,570,560	1,517,847	52,713
Emergency communications & services:			
Salaries and employee benefits		1,240,664	
Other operating expenditures		174,930	
Total	1,557,677	1,415,593	142,084
Forestry service	87,132	60,383	26,749
Inspections:			
Salaries and employee benefits		242,102	
Other operating expenditures		24,610	
Capital outlay		30,085	
Total	312,957	296,796	16,161

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, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Planning & zoning:			
Other operating expenditures	44,050	<u>1,290</u>	<u>42,760</u>
Scotland County Rescue Squad	50,000	41,951	8,049
Scotland-Hoke Criminal Justice Partnership grant	139,900	77,602	62,298
Medical examiner	39,600	39,600	-
Animal control:			
Salaries and employee benefits		66,003	
Other operating expenditures		<u>6,601</u>	
Total	90,156	72,604	17,552
Humane society	77,285	71,662	5,623
Surveillance and drugs:			
Other operating expenditures		<u>8,147</u>	
Total	10,000	8,147	1,853
Total public safety	6,647,509	6,248,382	399,127
Central service:			
General:			
Salaries & employee benefits		94,609	
Other operating expenditures		<u>417,122</u>	
Total	682,656	511,730	170,926

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, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Public Buildings:			
Salaries and employee benefits		546,832	
Other operating expenditures		458,431	
Total	1,011,159	1,005,263	5,896
Total central service	1,693,815	1,516,994	176,821
Economic and physical development:			
FCC water connection		822,452	
Spring hill township		3,500	
Chamber of commerce-local match		52,866	
Chamber of commerce-marketing		2,105	
Region N-council of government		23,614	
SEDC		3,960	
Total	1,198,989	908,497	290,492
Co-op extension:			
Salaries and employee benefits		238	
Other operating expenditures		153,697	
Total	175,752	153,935	21,817
Co-op extension grant:			
Other operating expenditures	2,345	2,345	-
Soil and water conservation:			
Salaries and employee benefits		88,885	
Total	94,607	88,885	5,722
Total economic & physical development	1,471,693	1,153,661	318,032

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, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		39,884	
Scots for youth - CBA		145,210	
Home - comm. care - operating exp.		<u>21,732</u>	
Total other expenditures	<u>671,525</u>	<u>206,827</u>	<u>464,698</u>
Human services:			
Health:			
Administration:			
Salaries and employee benefits		783,570	
Other operating expenditures		154,579	
Capital outlay		<u>52,875</u>	
Total	<u>998,810</u>	<u>991,024</u>	<u>7,786</u>
Tuberculosis:			
Salaries and employee benefits		11,219	
Other operating expenditures		<u>4,426</u>	
Total	<u>16,618</u>	<u>15,645</u>	<u>973</u>
Orthopedic		6,362	
Child health		69,932	
Primary care		60,605	
Communicable diseases		<u>224,267</u>	
Total	<u>382,497</u>	<u>361,166</u>	<u>21,331</u>
Healthy carolinians:			
Salaries and employee benefits		23,249	
Other operating expenditures		<u>3,443</u>	
Total	<u>37,504</u>	<u>26,692</u>	<u>10,812</u>
Family planning:			
Salaries and employee benefits		356,398	
Other operating expenditures		<u>50,764</u>	
Total	<u>432,733</u>	<u>407,162</u>	<u>25,571</u>

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2008

	2008		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		284,309	
Other operating expenditures		<u>68,937</u>	
Total	<u>381,877</u>	353,246	28,631
Women, infants, and children:			
Salaries and employee benefits		183,490	
Other operating expenditures		<u>41,559</u>	
Total	<u>249,974</u>	225,049	24,925
Environmental health:			
Salaries and employee benefits		167,489	
Other operating expenditures		<u>11,187</u>	
Total	<u>187,584</u>	178,676	8,908
Child services coordinator:			
Salaries and employee benefits		102,990	
Other operating expenditures		<u>3,962</u>	
Total	<u>111,234</u>	106,953	4,281
MCC	210,809	200,824	9,985
Immunization:			
Salaries and employee benefits		65,950	
Other operating expenditures		<u>682</u>	
Total	<u>78,389</u>	66,632	11,757
Adult health:			
Salaries and employee benefits		23,247	
Other operating expenditures		<u>1,024</u>	
Total	<u>30,330</u>	24,271	6,059

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, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		37,693	
Other operating expenditures		19,088	
Total	68,825	56,782	12,043
 Total health	 3,187,184	 3,014,121	 173,063
Social Services:			
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		6,373	
Total	80,920	79,293	1,627
Administration:			
Salaries and employee benefits		3,862,518	
Other operating expenditures		7,423,170	
Capital outlay		40,056	
Total	12,504,398	11,325,743	1,178,655
Transportation:			
Salaries and employee benefits		275,871	
Other operating expenditures		82,791	
Capital outlay		63,620	
Total	438,473	422,282	16,191
 Total social services	 13,023,791	 11,827,318	 1,196,473

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, 2008

	2008		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		42,825	
Other operating expenditures		22,150	
Total	69,206	64,975	4,231
Total human services	16,280,181	14,906,414	1,373,767
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		293,666	
Other operating expenditures		255,432	
Capital outlay		63,571	
Total	743,405	612,669	130,736
Other:			
Contribution to arts council & indian museum		21,500	
Grants-dept. of cultural resources - S.C.M.L.		126,082	
Total	151,500	147,582	3,918
Total cultural and recreational	894,905	760,251	134,654

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, 2008

	2008		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Education:			
Public schools - current expense		10,317,106	
Public schools - lottery - capital outlay		479,399	
Fines and forfeitures		407,274	
Contributions of capital		815,696	
Community colleges - current		102,025	
Scotland County Literacy Council		6,000	
Total education	12,369,404	12,127,500	241,904
Debt service:			
Principal retirement		1,343,897	
Interest and fees, other		655,551	
Total debt service	1,999,450	1,999,449	1
Total expenditures	44,063,309	40,646,547	3,416,762
Revenues (under) expenditures	(2,501,415)	(198,287)	(2,303,128)

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, 2008

	2008		
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Operating transfers to other funds:			
Special revenue funds revaluation	(100,000)	(100,000)	
Operating transfers to/from component unit:			
Scotland County Historic Properties Commission	(17,500)	(17,500)	
Scotland County Memorial Library	(295,762)	(295,762)	
Scotland County ABC Board	101,000	107,500	
Total other financing sources (uses)	(312,262)	(305,762)	6,500
 Appropriated fund balance	 2,813,677		 2,813,677
 Revenues, other sources and appropriated fund balance (under) expenditures and other uses	 -	 (504,049)	 (504,049)
 Fund balances:			
Beginning of year, July 1		12,272,937	
End of year, June 30		11,768,888	

Scotland County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds										Capital Project Funds					
	Capital Reserve Fund	Fire Service District Fund	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Community Development Block Grant	Nonmajor Special Revenue Funds	Total	Spec Building Project Fund	Courthouse Project Fund	Youth Center Task Force Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds			
Assets																
Cash and cash equivalents	156,573	376,711	376,711	345,701	871,421	-	1,750,406	112,597	1,000,000	-	1,112,597	1,112,597	2,863,004			
Due from other governments	-	1,239	1,239	-	-	-	1,239	-	-	-	-	-	1,239			
Total assets	<u>156,573</u>	<u>377,950</u>	<u>377,950</u>	<u>345,701</u>	<u>871,421</u>	<u>-</u>	<u>1,751,645</u>	<u>112,597</u>	<u>1,000,000</u>	<u>-</u>	<u>1,112,597</u>	<u>1,112,597</u>	<u>2,864,242</u>			
Liabilities & fund balances																
Liabilities:																
Accounts payable & accrued liabilities	-	-	-	4,332	483	-	4,815	-	865,459	278,203	1,143,662	1,143,662	4,815			
Interfund payables:																
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-			
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,332</u>	<u>483</u>	<u>-</u>	<u>4,815</u>	<u>-</u>	<u>865,459</u>	<u>278,203</u>	<u>1,143,662</u>	<u>1,143,662</u>	<u>4,815</u>			
Fund balances:																
Unreserved, Undesignated	156,573	377,949	377,949	341,370	870,938	-	1,746,830	112,597	134,541	(278,203)	(31,065)	(31,065)	1,715,765			
Total fund balances	<u>156,573</u>	<u>377,949</u>	<u>377,949</u>	<u>341,370</u>	<u>870,938</u>	<u>-</u>	<u>1,746,830</u>	<u>112,597</u>	<u>134,541</u>	<u>(278,203)</u>	<u>(31,065)</u>	<u>(31,065)</u>	<u>1,715,765</u>			
Total liabilities and fund balances	<u>156,573</u>	<u>377,949</u>	<u>377,949</u>	<u>345,702</u>	<u>871,421</u>	<u>-</u>	<u>1,751,645</u>	<u>112,597</u>	<u>1,000,000</u>	<u>-</u>	<u>1,112,597</u>	<u>1,112,597</u>	<u>2,864,242</u>			

Scotland County, North Carolina
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2008

	Special Revenue Funds					Capital Project Funds					Total Nonmajor Governmental Funds
	Capital Reserve Fund	Fire Service District Fund	Emergency Telephone System Fund	Community Development Block Grant	Nonmajor Special Revenue Funds	Spec Building Project Fund	Courthouse Project Fund	Youth Center Task Force Fund	Total Nonmajor Capital Project Funds		
Revenues:											
Ad valorem taxes		213,962			213,962						213,962
Other taxes, licenses & fees		6,452	243,251		249,703						249,703
Sales tax		71,068			71,068						71,068
Restricted intergovernmental				358,238	358,238						358,238
Investment earnings		3,060			3,060						3,060
Other											
Total revenues	-	294,542	243,251	358,238	896,031	-	-	-	-	-	896,031
Expenditures:											
Revaluation	5,425	220,455	105,251		110,676						110,676
Public safety			148,135		368,590						368,590
Cultural and recreational							602,507				602,507
Economic and physical development				358,238	358,238	720,873		854,847		1,575,720	1,933,958
Debt service:											
Principal retirement							44,367			44,367	44,367
Interest							12,830			12,830	12,830
Total expenditures	5,425	220,455	105,251	358,238	837,503	720,873	659,704	854,847	2,235,423	3,072,926	
Revenues over (under) expenditures	(5,425)	74,087	(105,251)	-	58,527	(720,873)	(659,704)	(854,847)	(2,235,423)	(2,176,896)	
Other financing sources:											
Proceeds from bonds											
Operating transfers in:											
General Fund	(800,000)		100,000		100,000			800,000		800,000	100,000
Operating transfers (out)	(800,000)		100,000		(700,000)			800,000		1,233,470	533,470
Total other financing sources								433,470		433,470	433,470
Net change in fund balances	(805,425)	74,087	(5,251)	95,116	(641,473)	(287,403)	(659,703)	(54,847)	(1,001,953)	(1,643,426)	
Fund balances - beginning	961,998	303,863	346,620	775,822	2,388,303	400,000	381,501	189,388	970,889	3,359,192	
Fund balances - ending	156,573	377,949	341,370	870,938	1,746,830	112,597	(278,202)	134,541	(31,064)	1,715,766	

Scotland County, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State shared revenue	<u>5,425</u>	<u>-</u>	<u>(5,425)</u>
Total revenues	5,425	-	(5,425)
Expenditures:			
Equipment	<u>5,425</u>	<u>5,425</u>	<u>-</u>
Total expenditures	5,425	5,425	-
Revenues (under) expenditures	-	(5,425)	(5,425)
Other financing sources:			
Transfers in General Fund	830,000	-	(830,000)
Transfers (out)	<u>(830,000)</u>	<u>(800,000)</u>	<u>30,000</u>
Total	-	(800,000)	(800,000)
Net change in fund balances	<u>-</u>	(805,425)	<u>(805,425)</u>
Fund balances - beginning		<u>961,998</u>	
Fund balances - ending		<u>156,573</u>	

Scotland County, North Carolina
Fire Service District Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	216,000	213,962	(2,038)
Other taxes, licenses & fees	500	6,452	5,952
Sales tax	55,000	71,068	16,068
Investment earnings	<u>2,500</u>	<u>3,060</u>	<u>560</u>
Total revenues	274,000	294,542	20,542
Expenditures:			
Public safety	<u>274,000</u>	<u>220,455</u>	<u>53,545</u>
Total expenditures	274,000	220,455	53,545
Revenues over expenditures	<u>-</u>	74,087	<u>74,087</u>
Fund balances - beginning		<u>303,863</u>	
Fund balances - ending		<u>377,950</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, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other income	31,750	-	(31,750)
Expenditures:			
Revaluation	<u>131,750</u>	<u>105,251</u>	<u>26,499</u>
Revenues (under) expenditures	(100,000)	(105,251)	(5,251)
Other financing sources:			
Operating transfers in:			
General Fund	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Revenues and other sources (under) expenditures	<u>-</u>	(5,251)	<u>(5,251)</u>
Fund balances - beginning		<u>346,620</u>	
Fund balances - ending		<u>341,370</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, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Other taxes, licenses & fees	<u>330,100</u>	<u>243,251</u>	<u>(86,849)</u>
Total revenues	330,100	243,251	(86,849)
Expenditures:			
Public safety	<u>480,100</u>	<u>148,135</u>	<u>331,965</u>
Total expenditures	480,100	148,135	331,965
Revenues over (under) expenditures	(150,000)	95,116	245,116
Appropriated fund balance	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
Revenues and appropriated fund balance over expenditures	<u>-</u>	95,116	<u>95,116</u>
Fund balances - beginning		<u>775,822</u>	
Fund balances - ending		<u>870,938</u>	

Scotland County, North Carolina
Community Development Block Grant
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2008

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental	<u>400,000</u>	<u>358,238</u>	<u>(41,762)</u>
Total revenues	400,000	358,238	(41,762)
Expenditures:			
Economic & physical development	<u>400,000</u>	<u>358,238</u>	<u>41,762</u>
Total expenditures	400,000	358,238	41,762
Net change in fund balance	<u>-</u>	-	<u>-</u>
Fund balances - beginning		<u>-</u>	
Fund balances - ending		<u>-</u>	

Scotland County, North Carolina
Spec Building Capital Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
None	-	-	-	-	-
Expenditures:					
Cultural and recreational	<u>800,000</u>	-	<u>720,873</u>	<u>720,873</u>	<u>79,127</u>
Total expenditures	800,000	-	720,873	720,873	79,127
Revenues (under) expenditures	(800,000)	-	(720,873)	(720,873)	79,127
Other financing sources:					
Operating transfers in:					
Proceeds from bonds	400,000		433,470	433,470	(33,470)
General Fund	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>-</u>
Total other financing sources	800,000	400,000	433,470	833,470	33,470
Revenues and other sources over (under) expenditures	<u>-</u>	<u>400,000</u>	<u>(287,403)</u>	<u>112,597</u>	<u>112,597</u>
Fund balances - beginning			<u>400,000</u>		
Fund balances - ending			<u>112,597</u>		

Scotland County, North Carolina
Courthouse Building Capital Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
None	-	-	-	-	-
Expenditures:					
Public safety	<u>1,050,000</u>	<u>10,612</u>	<u>854,847</u>	<u>865,459</u>	<u>(184,541)</u>
Total expenditures	1,050,000	10,612	854,847	865,459	(184,541)
Revenues (under) expenditures	(1,050,000)	(10,612)	(854,847)	(865,459)	184,541
Other financing sources:					
Operating transfers in:					
Capital Reserve Fund	800,000		800,000	800,000	-
General Fund	<u>250,000</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>(50,000)</u>
	1,050,000	200,000	800,000	1,000,000	(50,000)
Revenues and other sources over expenditures	<u>-</u>	<u>189,388</u>	<u>(54,847)</u>	<u>134,541</u>	<u>134,541</u>
Fund balances - beginning			<u>189,388</u>		
Fund balances - ending			<u>134,541</u>		

Scotland County, North Carolina
Youth Center Task Force
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2008

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental	1,820,533	1,309,503		1,309,503	(511,030)
Interest revenue		92,324		92,324	92,324
Other revenue	<u>100,600</u>	<u>100,810</u>	-	<u>100,810</u>	<u>210</u>
Total revenues	1,921,133	1,502,637	-	1,502,637	(418,496)
Expenditures:					
Cultural and recreational	2,292,936	1,721,133	602,506	2,323,639	(30,703)
Debt service:					
Principal retirement	44,367		44,367	44,367	-
Interest	<u>12,830</u>	<u>-</u>	<u>12,830</u>	<u>12,830</u>	<u>-</u>
Total expenditures	2,350,133	1,721,133	659,703	2,380,836	(30,703)
Revenues (under) expenditures	(429,000)	(218,496)	(659,703)	(1,096,695)	(667,695)
Other financing sources:					
Operating transfers in:					
General Fund	<u>429,000</u>	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>171,000</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>381,504</u>	(659,703)	<u>(496,695)</u>	<u>(496,695)</u>
Fund balances - beginning			<u>381,503</u>		
Fund balances - ending			<u>(278,200)</u>		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		1,438,747	
Other operating revenues		341,137	
Total operating revenues	2,178,048	1,779,883	(398,165)
Expenditures:			
Operating expenses:			
Salaries & employee benefits		496,496	
Supplies		20,267	
Repairs & maintenance		116,027	
Contracted services		68,873	
Waste disposal		642,250	
Other operating expenditures		236,089	
Total operating expenses	2,083,995	1,580,002	503,993
Capital outlays	94,053	94,053	-
Total expenditures	2,178,048	1,674,055	503,993
Revenues over expenditures	-	105,828	105,828
Other financing sources:			
None	-	-	-
Revenues over expenditures and other financing sources	-	105,828	105,828
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		94,053	
Depreciation		(119,281)	
(Decrease) in accrued vacation		(6,987)	
(Decrease) in accrued landfill closure and postclosure costs		(96,150)	
Total reconciling items		(128,365)	
Net (loss)		(22,537)	

Scotland County, North Carolina
Water District Phase I Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		575,015	
Water taps		11,500	
Total operating revenues	509,484	586,515	77,031
Expenditures:			
Operating expenses:			
Water purchases		173,454	
Other operating expenditures		166,893	
Total operating expenses	383,469	340,347	43,122
Debt service:			
Debt principal		32,000	
Interest		94,014	
Total	126,015	126,014	1
Total expenditures	509,484	466,361	43,123
Revenues over expenditures	<u>-</u>	120,154	<u>120,154</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payment		32,000	
Depreciation		(113,236)	
Total reconciling items		(81,236)	
Net income		<u>38,918</u>	

Scotland County, North Carolina
 Water District Phase II Fund
 Schedule of Revenues and Expenditures
 Budget and Actual (Non-GAAP)
 For the Year Ended June 30, 2008

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		307,050	
Sewer fees		127,607	
Water taps		16,638	
Federal grants		561,000	
Total operating revenues	516,130	1,012,295	496,165
Expenditures:			
Operating expenses:			
Water purchases		105,775	
Water operations		67,680	
Total operating expenses	237,400	173,455	63,945
Debt service:			
Debt principal		63,000	
Interest		215,730	
Total	278,730	278,730	-
Total expenditures	516,130	452,185	63,945
Revenues over expenditures	-	560,110	560,110
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital contributions		1,525	
Principal payments		63,000	
Depreciation		(183,736)	
Total reconciling items		(119,211)	
Change in net assets		440,899	

Scotland County, North Carolina
 Water Project II Capital Project Fund
 Schedule of Revenues and Changes in Fund Balances
 Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2008

	Budget	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	1,738,534				(1,738,534)
Other	<u>125,600</u>	<u>31,257</u>	<u>1,525</u>	<u>32,782</u>	<u>(92,818)</u>
Total revenues	1,864,134	31,257	1,525	32,782	(1,831,352)
Expenditures:					
Capital outlay	6,820,134	6,820,134		6,820,134	-
Debt service	<u>238,000</u>	<u>45,952</u>		<u>45,952</u>	<u>192,048</u>
Total expenditures	7,058,134	6,866,086	-	6,866,086	192,048
Revenues over (under) expenditures	(5,194,000)	(6,834,829)	1,525	(6,833,304)	(1,639,304)
Other financing sources:					
Loan proceeds	4,656,000	5,194,000		5,194,000	538,000
Interfund transfers	<u>538,000</u>	<u>538,000</u>		<u>538,000</u>	<u>-</u>
	5,194,000	5,732,000	-	5,732,000	538,000
Revenues and other sources over (under) expenditures	<u>-</u>	<u>(1,102,829)</u>	<u>1,525</u>	<u>(1,101,304)</u>	<u>(1,101,304)</u>

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2008

<u>Fiscal Year</u>	Uncollected Balance June 30, 2007	Additions	Collections And Credits	Uncollected Balance June 30, 2008
2007-2008		20,251,066	18,989,060	1,262,006
2006-2007	1,241,915		748,291	493,624
2005-2006	516,198		127,338	388,860
2004-2005	331,410		56,540	274,870
2003-2004	215,528		21,919	193,609
2002-2003	175,315		14,734	160,581
2001-2002	143,538		8,598	134,940
2000-2001	143,237		5,751	137,486
1999-2000	100,375		2,995	97,380
1998-1999	99,389		2,207	97,182
1997-1998	44,861		1,412	43,449
Total	<u>3,011,766</u>	<u>20,251,066</u>	<u>19,978,845</u>	<u>3,283,987</u>

Less allowance for uncollectible accounts:
General Fund

(131,359)

Ad valorem taxes receivable - net:
General Fund

3,152,628

Reconciliation with revenues:

Ad valorem taxes - General Fund	19,831,418
Interest collected on ad valorem taxes - General Fund	240,832
Reconciling items:	
Interest collected	(240,832)
Priors year's penalties & advertising collected	(939)
Miscellaneous adjustments	20,522
Discounts	85,559
Taxes written off	42,285
Total reconciling items	<u>(93,405)</u>
Total collections and credits	<u>19,978,845</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2008

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	1,688,292,422	1.06	17,895,900	17,895,900	
Property taxed at current year's rate	145,547,170	1.06	1,542,800		1,542,800
Market value taxes at prior year's rate	78,393,477	1.10	862,328		862,328
Penalties & advertising			57,650	57,650	
	<u>1,912,233,069</u>		<u>20,358,678</u>	<u>17,953,550</u>	<u>2,405,128</u>
Abatements	<u>(10,105,445)</u>		<u>(107,611)</u>	<u>(47,933)</u>	<u>(59,678)</u>
Total property valuations	<u>1,902,127,624</u>				
Net levy			20,251,067	17,905,617	2,345,450
Uncollected taxes at June 30, 2008			<u>1,262,006</u>	<u>691,121</u>	<u>570,885</u>
Current year's taxes collected			<u>18,989,061</u>	<u>17,214,496</u>	<u>1,774,565</u>
Current year collection percentage			93.77%	96.44%	75.66%

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2008

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 1,295,285,763
Personal property	540,367,105
Public service companies ²	<u>74,825,151</u>
Total assessed valuation	1,910,478,019
Tax rate per \$100	1.06
Levy (includes discoveries, releases and abatements) ³	\$ 20,251,067

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	\$ 218,847
Total	<u>\$ 218,847</u>

¹Percentage of appraised value has been established by statute.

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

³The levy includes interest and penalties.

Scotland County, North Carolina
 Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2008

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2008 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Pilkington North America	Glass Production	\$ 88,766,324	4.70%
Westpoint Home, Inc.	Distribution	45,175,040	2.40%
Kordsa	Rubber-Cord	28,548,254	1.50%
FCC North Carolina, Inc.	Automotive Suppliers	23,717,965	1.25%
Progress Energy Carolinas	Utilities	22,062,315	1.16%
Carrolls Realty	Real Estate	20,560,270	1.08%
QualPack, LLC	Pharmaceutical	20,077,305	1.06%
Meritor	Automotive Suppliers	20,027,215	1.05%
Bell South Long Distance, Inc.	Utilities	16,163,071	0.85%
Carolina Container	Products	<u>12,522,948</u>	<u>0.66%</u>
Total		<u>\$ 297,620,707</u>	<u>15.71%</u>

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Social Services				
Assets:				
Cash & cash equivalents	16,777	125,550	104,542	37,785
Liabilities:				
Miscellaneous liabilities	16,777	125,550	104,542	37,785
Fines and Forfeitures				
Assets:				
Cash & cash equivalents	1,017	407,274	406,984	1,307
Liabilities:				
Intergovernmental payable Board of Education	-	376,176	376,176	-
Intergovernmental payable NC Division of Motor Vehicles	1,017	31,098	30,808	1,307
Total liabilities	1,017	407,274	406,984	1,307
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	15,985	301,852	286,476	31,361
Liabilities:				
Miscellaneous liabilities	15,985	301,852	286,476	31,361
Jail Canteen Fund				
Assets:				
Cash	-	80,486	63,868	16,618
Liabilities:				
Inmate funds	-	80,486	63,868	16,618
Totals - All Agency Funds				
Assets:				
Cash & cash equivalents	33,779	915,162	861,870	87,071
Liabilities:				
Miscellaneous liabilities	32,762	507,888	454,886	85,764
Intergovernmental payable Board of Education	-	376,176	376,176	-
Intergovernmental payable NC Division of Motor Vehicles	1,017	31,098	30,808	1,307
Total liabilities	33,779	915,162	861,870	87,071

COMPLIANCE SECTION

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

FAX 910-276-1995

MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CHARLES D. SMITH, CPA
WM. TED CURRIE, CPA
CARL L. HEAD, CPA

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

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

To the Board of County Commissioners
Scotland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of Scotland County, North Carolina, as of and for the year ended June 30, 2008, which collectively comprises Scotland County's basic financial statements, and have issued our report thereon dated February 20, 2009. We did not audit the financial statements of the Scotland County ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Scotland County ABC Board, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Scotland County ABC Board were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 08-1 and 08-2.

We noted certain matters that we reported to management of Scotland County in a report dated February 20, 2009.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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

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

February 20, 2009

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

FAX 910-276-1995

MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CHARLES D. SMITH, CPA
WM. TED CURRIE, CPA
CARL L. HEAD, CPA

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

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

To the Board of County Commissioners
Scotland County, North Carolina

Compliance

We have audited the compliance of Scotland County, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2008. Scotland County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Scotland County's management. Our responsibility is to express an opinion on Scotland County's compliance based on our audit.

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

In our opinion, Scotland County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Scotland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Scotland County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

February 20, 2009

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

LAURINBURG, NORTH CAROLINA 28353-1768

TELEPHONE 910-276-1371

FAX 910-276-1995

MEMBERS OF

NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CHARLES D. SMITH, CPA
WM. TED CURRIE, CPA
CARL L. HEAD, CPA

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

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

To the Board of County Commissioners
Scotland County, North Carolina

Compliance

We have audited the compliance of Scotland County, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2008. Scotland County's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of Scotland County's management. Our responsibility is to express an opinion on Scotland County's compliance based on our audit.

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

In our opinion, Scotland County complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Scotland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Scotland County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a State program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

February 20, 2009

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	_____yes	___X___no
---	----------	-----------

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2008

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medicaid

Dollar threshold used to distinguish
 between Type A and Type B Programs \$1,902,185

Auditee qualified as low-risk auditee? X yes no

State Awards

Internal control over major State programs:

* Material weakness(es) identified? yes X no

* Significant deficiencies identified
 that are not considered to be
 material weaknesses yes X none reported

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

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

Identification of major State programs:

Program Name

State match on federal programs which has been included in the list of major
 federal programs above:

Medicaid
 TANF
 Domiciliary Care

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

Section II - Financial Statement Findings

Finding: 08-1

SIGNIFICANT DEFICIENCY

Criteria: Any individual funds with deficits in fund balances or net assets should be disclosed with a corrective action plan. Currently the Public Works Fund and the Youth Center Task Force (Capital Project Fund) have deficits.

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

The Youth Center Task Force (Capital Project Fund) has a deficit in fund balance due to scheduled operating transfers from the General Fund not being made.

Effect: The County could continue to increase the deficit in the Public Works Fund if new revenue streams and cost cutting is not effective.

The Youth Center Task Force could continue to increase its deficit if scheduled operating transfers are not made.

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

The County has not made the scheduled transfers from the General Fund to the Youth Center Task Force (Capital Project Fund).

Recommendation: Scotland County management should continue to search for new revenue streams and cost cutting measures in order to continuously reduce the deficit in the Public Works Fund. Management should also make the scheduled transfers to the Youth Center Task Force (Capital Project Fund).

Finding: 08-2

SIGNIFICANT DEFICIENCY

Criteria: Under the SAS No. 112 conditions necessitating the entity's auditor to provide assistance preparing the financial statements and journal entries are at least indicative of a significant deficiency.

Condition: Currently the independent accountant substantially prepares the financial statements and the schedule of expenditures of federal and state awards. In addition, the adjusted trial balance and supporting information needed to complete the audit was not available for audit until January 2009.

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

Cause: The County is without a fulltime Finance Officer making it difficult for the County to produce financial statements and prepare the necessary information to complete the audit.

Recommendation: Duties should be rearranged to enable accounting personnel to obtain the necessary experience to prepare and accurately review the financial statements and prepare an adjusted trial balance in a timely manner.

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

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2008

Section II - Financial Statement Findings

Finding: 07-1

Name of contact person: Kevin Patterson, County Manager

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

Proposed Completion Date: This program was initiated in a prior year.

Finding: 07-2

Name of contact person: Kevin Patterson, County Manager

Corrective Action: The County recently hired an accountant to assist with accounting duties and preparation and review of the financial statements.

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

Section III - Federal Award Findings and Questioned Costs

None reported

Section IV - State Award Findings and Questioned Costs

None reported

SCOTLAND COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2008

Prior Year Financial Statements Findings

Finding 2007-1

Status: See current year finding 2008-1.

Finding 2007-2

Status: The County has hired additional accounting personnel to assist with duties and prepare for the independent audit. See current year 2008-2.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Federal Awards:					
U.S. Dept. of Agriculture					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Food Stamp Cluster:</u>					
Food Stamp Program - Direct Benefit Payment					
State Administrative Matching Grants for					
the Food Stamp Program					
Total Food Stamp Cluster					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children					
Direct Benefit Payments:					
Special Supplemental Nutrition Program for					
Women, Infants, & Children					
Total U.S. Dept. of Agriculture					
			9,031,598	-	-
			334,550	-	334,550
			9,366,148	-	334,550
				247,874	-
				1,189,088	-
			10,803,110	-	334,550

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Division of Community Assistance</u>					
CDBG	14.228		358,238	-	-
Total NC Dept. of Commerce			358,238	-	-
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Transit Capital Grant	20.509	XXXX	52,176	6,523	-
Administrative	20.509		77,734	4,859	-
Roap-Edtap			-	73,234	-
Roap-Work First			-	26,834	-
Roap-RGP			-	62,474	-
Total U.S. Dept. of Transportation			129,910	173,924	-
<u>US Election Assistance Commission</u>					
Help America Vote Act	90.401		6,675	-	-
<u>U.S. Dept. of Health & Human Services</u>					
<u>Office of the Population Affairs</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services	93.217	XXXX	44,606	-	-

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption</u>					
Title IV-E Foster Care - Administration	93.658	XXXX	126,080	31,959	86,386
Foster Care - Direct Benefit Payments	93.658	XXXX	85,120	24,796	22,805
IV-E Adoption Optional Admin	93.659		6,667	-	2,222
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	185,100	51,690	51,690
Total Foster Care and Adoption			402,967	108,445	163,103
Work First/TANF-Direct Benefit Payments	93.558		1,124,662	-	1,169
IV-D Administration	93.563		469,157	-	241,687
IV-D Offset Fees	93.563		5,229	-	2,694
Low-Income Home Energy Assistance Block Grant: Administration	93.568	XXXX	11,538	-	-
Energy Assistance Payments- Direct Benefit Payments	93.568	XXXX	138,454	-	-
Crisis Intervention Program	93.568	XXXX	127,807	-	-
Child Welfare Services - State Grants					
- Permanency Planning	93.645	XXXX	10,645	2,736	812
Independent Living Grant	93.674	XXXX	8,358	2,089	-
Transitional Funds	93.674		2,678	-	-
Family Preservation	93.556		7,139	-	-
TANF Domestic Violence	93.558		24,084	-	-
TANF Foster Care	93.558		31,086	-	463
Work First Admin	93.558		102,916	-	126,875
Work First Demonstration Grant	93.558		86,761	-	-
Work First Service	93.558		596,647	-	571,240

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG- Other Services TRNG	93.667		197,016	20,923	72,646
SSBG - State In Home Service Fund	93.667	XXXX	20,355	-	2,908
SSBG - State Adult Day Care	93.667	XXXX	18,101	16,490	4,942
			2,982,633	37,413	80,496
Division of Child Development:					
Subsidized Child Care					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Fund-Administration	93.596	XXXX	76,859	-	-
Division of Child Development:					
Child Care and Development Fund-Discretionary	93.575	XXXX	492,771	-	-
Child Care and Development Fund - Mandatory	93.596	XXXX	285,840	-	-
Child Care and Development Fund - Match	93.596	XXXX	345,497	193,352	-
Total Child Care Development Fund Cluster			1,200,967	193,352	-
Social Services Block Grant	93.667	XXXX	10,032	-	-
TANF	93.558	XXXX	466,395	-	-
TANF-MOE		XXXX	-	255,979	-
State Appropriations		XXXX	-	139,474	-
Total Subsidized Child Care (Note 3)			1,677,394	588,805	-

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	45,742,568	23,944,149	3,241,309
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	611,906	57,526	540,327
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	10,987	2,350	1,324
<u>Health Resources and Services Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Maternal and Child Health Services Block Grant	93.994	XXXX	149,280	-	-
Immunization Grants	93.268	XXXX	15,238	-	-
Bioterrorism Grant	93.283		76,975	-	-
TANF	93.558		8,258	-	-
Total U.S. Dept. of Health and Human Services			51,722,812	24,743,513	4,971,499
Total Federal Awards			63,020,745	24,917,437	5,306,049

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Fed. (Direct &</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>	<u>Local</u> <u>Expenditures</u>
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
<u>Division of State Library</u>					
State Aid to Public Libraries					
Total N.C. Dept. of Cultural Resources					
		XXXX	-	112,882	295,762
			-	112,882	295,762
<u>N.C. Dept. of Health and Human Services</u>					
Division of Aging and Adult Services					
Division of Social Services					
State/County Special Assistance for Adults - Domiciliary Care					
		XXXX	-	469,649	469,649
Division of Social Services:					
CWS Adopt Subsidy & Vendor					
State Foster Home					
F/C At Risk Maximization					
DCD Smart Start					
AFDC Incentive					
State Aid to Counties					
TANF Incent/Prog Integrity					
Energy Assist Private Grants					
Total Division of Social Services					
		XXXXX	-	130,029	20,156
			-	82,459	82,459
			-	6,126	3,387
		XXXXX	-	16,000	-
			-	113	-
			-	33,709	-
			-	2,109	-
		XXXXX	-	3,775	-
			-	743,969	575,651

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Division of Public Health					
General		XXXX	-	64,664	-
Communicable Disease			-	7,855	-
Tuberculosis			-	13,023	-
AIDS			-	500	-
Womens Preventive Health			-	3,293	-
Childrens Special Health Service			-	250	-
Healthy Carolinas Support			-	12,048	-
Total Division of Public Health			-	101,633	-
<u>Dept. of Juvenile Justice and Delinquency Prevention</u>					
Juvenile Crime Prevention Programs		XXXXX	-	77,602	-
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program (ROAP)		XXXXX	-	73,234	-
- ROAP Elderly and Disabled Transportation Assistance Program		XXXXX	-	62,474	-
- ROAP Rural General Public Program		XXXXX	-	26,834	-
- ROAP Work First Transitional - Employment Transportation Assistance Program		XXXXX	-	162,542	-
Total ROAP			-	151,325	-
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program		XXXXX	-	1,349,953	871,413
Total State Awards			-	\$ 63,020,745	\$ 6,177,462
Total Federal and State Awards			-	\$ 26,267,390	\$ 6,177,462

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2008

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

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

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

<u>Program Title</u>	<u>State Expenditures</u>
Juvenile Family Alternatives	39,884
Scots for Youth	145,210

3. The following are clustered by the N.C. Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption, Mental Health Services, Developmental Disability Waiting List Services, and Substance Abuse Services.

