

Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2009

SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

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Betty B. Gholston, Vice Chairperson

John T. Alford, Commissioner

Guy McCook, Commissioner

Bob Davis, Commissioner

Joyce McDow, Commissioner

Clarence McPhatter, II, Commissioner

COUNTY OFFICIALS

Ann W. Kurtzman, Clerk to Board

Kevin G. Patterson, County Manager

Scotland County, North Carolina
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June 30, 2009

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FINANCIAL SECTION

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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, 2009, 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 35.54 percent, 25.71 percent and 76.14 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, 2009, 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 January 20, 2010 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

January 20, 2010

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, 2009. 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

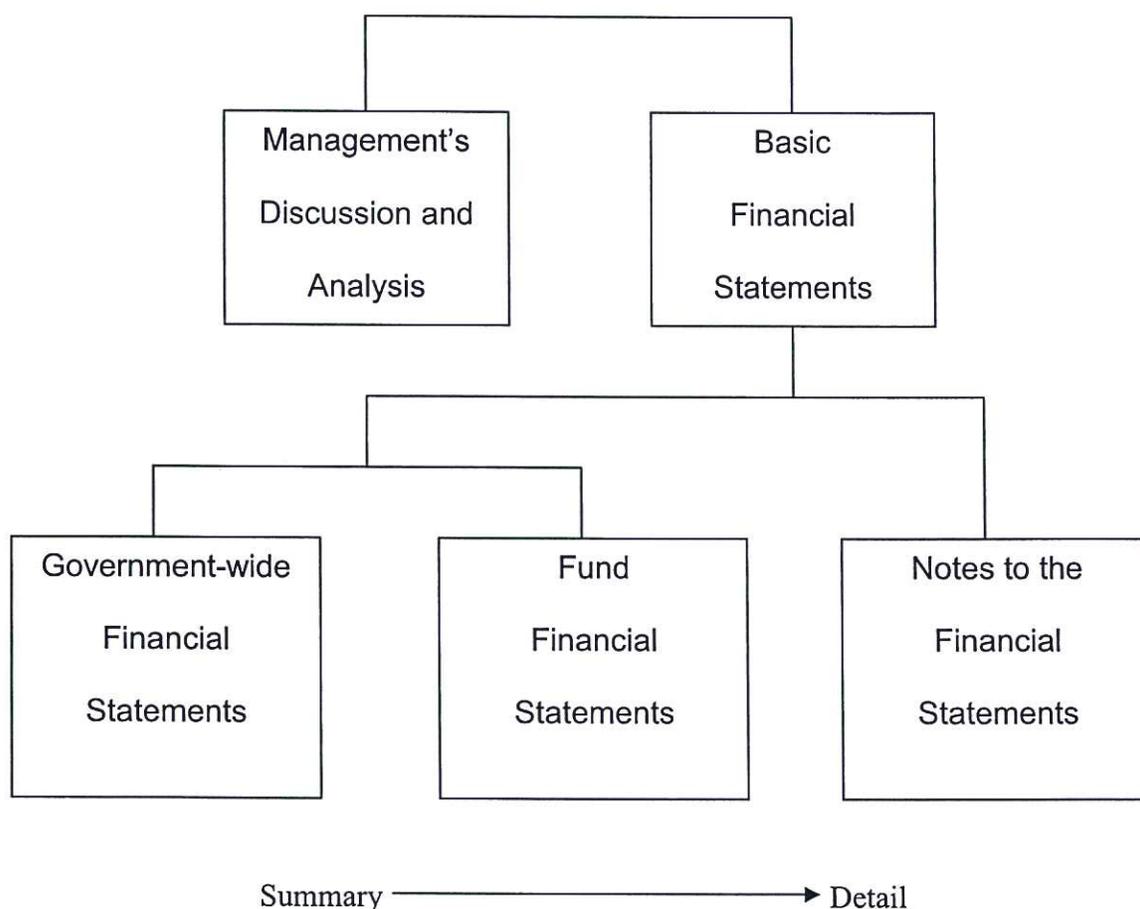
- The assets of Scotland County exceeded its liabilities at the close of the fiscal year by \$11,968,588 (*net assets, exhibit 1*).
- The government's total net assets decreased by \$298,821 primarily due to decrease in business type activities net assets.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$13,064,962 (*exhibit 3*) a decrease of \$419,692 in comparison with the prior year. Approximately 37.67 percent of this total amount, or \$8,089,499, 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 \$5,711,084 or 13.60 percent of total General Fund expenditures for the fiscal year.
- Scotland County refunded debt of \$4,560,000 and issued \$4,746,000.
- Scotland County maintained its Aaa bond rating.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Scotland County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 52 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Scotland County exceeded liabilities by \$11,968,588 as of June 30, 2009. The County's net assets decreased by \$298,821 (exhibit 2) for the fiscal year ended June 30, 2009. The County will continue to seek every method of containing costs. It is important for the reader to note that Scotland County is financing the long-term debt of school properties without the ability to maintain the ownership of the land, buildings, or other improvements, which would typically be listed as offsetting assets on the Statement of Net Assets. Scotland County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Scotland County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of Scotland County's net assets 19.01% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$930,386 (Exhibit 1) is unrestricted.

Scotland County's Net Assets

Figure 2

	SCOTLAND COUNTY'S NET ASSETS					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 17,368,766	\$ 17,524,755	\$ 787,060	\$ 920,510	\$ 18,155,826	\$ 18,445,265
Capital assets	7,326,762	7,150,508	10,169,895	10,485,638	17,496,657	17,636,146
Total assets	\$ 24,695,528	\$ 24,675,263	\$ 10,956,955	\$ 11,406,148	\$ 35,652,483	\$ 36,081,411
Long-term liabilities outstanding	\$ 13,334,336	\$ 14,680,775	\$ 8,323,495	\$ 8,274,898	\$ 21,657,831	\$ 22,955,673
Other liabilities	1,913,710	829,107	112,354	29,224	2,026,064	858,331
Total liabilities	\$ 15,248,046	\$ 15,509,882	\$ 8,435,849	\$ 8,304,122	\$ 23,683,895	\$ 23,814,004
Net assets:						
Invested in capital assets, net of related debt	\$ 5,403,719	\$ 4,802,742	\$ 3,359,395	\$ 3,576,137	\$ 8,763,114	\$ 8,378,879
Restricted	2,275,088	2,275,088	-	-	2,275,088	2,275,088
Unrestricted	1,768,675	2,087,551	(838,289)	(474,110)	930,386	1,613,441
Total net assets	\$ 9,447,482	\$ 9,165,381	\$ 2,521,106	\$ 3,102,027	\$ 11,968,588	\$ 12,267,408

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

- Continued diligence in the collection of property taxes by keeping our collection percentage around 92.98% 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	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 3,316,132	\$ 2,780,166	\$ 2,676,711	\$ 3,380,218	\$ 5,992,843	\$ 6,160,384
Operating grants and contributions	9,761,080	8,167,727	-	-	9,761,080	8,167,727
Capital grants and contributions	-	358,238	-	-	-	358,238
General revenues:						
Property taxes	19,855,736	20,490,801	-	-	19,855,736	20,490,801
Local option sales tax	8,398,883	7,960,605	-	-	8,398,883	7,960,605
Other taxes	478,314	329,907	-	-	478,314	329,907
Interest investment earnings	260,704	759,724	-	-	260,704	759,724
Other	184,116	495,951	-	-	184,116	495,951
Total revenues	\$ 42,254,965	\$ 41,343,119	\$ 2,676,711	\$ 3,380,218	\$ 44,931,676	\$ 44,723,337
Expenses:						
General government	3,998,110	3,401,504	-	-	3,998,110	3,401,504
Public safety	7,495,732	6,710,274	-	-	7,495,732	6,710,274
Economic and physical development	782,287	1,511,899	-	-	782,287	1,511,899
Human services	14,866,191	14,881,758	-	-	14,866,191	14,881,758
Cultural and recreation	1,099,758	696,680	-	-	1,099,758	696,680
Other expenditures	196,407	206,826	-	-	196,407	206,826
Education	12,837,873	12,127,500	-	-	12,837,873	12,127,500
Revaluation	157,045	110,676	-	-	157,045	110,676
Interest on long-term debt	636,177	668,381	-	-	636,177	668,381
Solid waste	-	-	2,066,092	1,802,420	2,066,092	1,802,420
Water district I	-	-	613,513	547,597	613,513	547,597
Water district II	-	-	578,027	572,921	578,027	572,921
Total expenses	\$ 42,069,580	\$ 40,315,498	\$ 3,257,632	\$ 2,922,938	\$ 45,327,212	\$ 43,238,436
Increase (decrease) in net assets						
before transfers	185,385	1,027,621	(580,921)	457,280	(395,536)	1,484,901
Transfers	96,715	-	-	-	96,715	-
Increase (decrease) in net assets	282,100	1,027,621	(580,921)	457,280	(298,821)	1,484,901
Net assets, July 1	9,165,382	8,137,760	3,102,028	2,644,748	12,267,410	10,782,508
Net assets, June 30	\$ 9,447,482	\$ 9,165,381	\$ 2,521,107	\$ 3,102,028	\$ 11,968,589	\$ 12,267,409

Governmental activities. Governmental activities increased the County's net assets by \$282,100. The increase was due to the continued control of expenditures and grant revenue.

Business-type activities: Business-type activities decreased Scotland County's net assets by \$580,921. The Proprietary Funds had a decrease in net assets primarily due to provisions for bad debts in the Water District I and II and continued over expenditures in the Landfill.

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 \$5,711,084, while total fund balance reached \$10,686,548. 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 13.59 percent of total General Fund expenditures, while total fund balance represents 25.44 percent of that same amount.

At June 30, 2009, the governmental funds of Scotland County reported a combined fund balance of \$13,064,962 a 3.11 percent decrease over last year. The primary reason for this decrease is excess expenditures 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 \$2,076,534.

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 \$(1,516,190), and those for the Water District I Fund equaled \$702,454, and those for the Water District II Fund equaled \$(24,553). The total change in net assets for these Funds was \$(286,408), \$(144,490) and \$(150,023), respectively.

Capital Asset and Debt Administration

Capital assets. Scotland County's capital assets for its governmental and business-type activities as of June 30, 2009 totals \$17,496,657 (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 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total 2009	Total 2008
Land	\$ 1,313,332	\$ 1,313,332	\$ 239,684	\$ 239,684	\$ 1,553,016	\$ 1,553,016
Buildings and system	5,165,907	2,442,714	9,725,680	9,976,046	14,891,587	12,418,760
Machinery and equipment	154,983	249,347	78,335	157,424	233,318	406,771
Vehicles and motorized equipment	692,540	1,031,888	126,196	112,484	818,736	1,144,372
Construction in progress	-	2,178,227	-	-	-	2,178,227
Total	<u>\$ 7,326,762</u>	<u>\$ 7,215,508</u>	<u>\$ 10,169,895</u>	<u>\$ 10,485,638</u>	<u>\$ 17,496,657</u>	<u>\$ 17,701,146</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, 2009 Scotland County had total bonded debt outstanding of \$10,608,000 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	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$10,608,000	\$11,510,000	\$6,810,500	\$6,909,500	\$17,418,500	\$ 18,419,500
Installment purchases	1,923,043	2,347,766	-	-	1,923,043	2,347,766
Total	\$12,531,043	\$13,857,766	\$6,810,500	\$6,909,500	\$19,341,543	\$ 20,767,266

Scotland County's total debt decreased by \$1,425,723 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 \$133,982,367.

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 17.2% higher than the state average of 11.2%.
- Gryphon Group began moving operations to Scotland County. This will result in the creation of 60-80 jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2010

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Scotland County, North Carolina
Statement of Net Assets
 June 30, 2009

	Primary Government			Scotland County Historic Properties Commission
	Governmental Activities	Business- type Activities	Total	Scotland County ABC Board
Assets				
Cash and cash equivalents	12,106,281	324,168	12,430,449	86,671
Inventory	-	-	-	203,371
Receivables (net):				
Taxes	3,431,618	-	3,431,618	-
Accounts	546,852	462,892	1,009,744	-
Due from other governments	1,278,026	-	1,278,026	-
Prepaid expenses	1,489	-	1,489	1,526
Deferred charge - bond issuance cost	4,500	-	4,500	-
Capital assets:				
Land, improvements and construction in progress	1,313,332	239,684	1,553,016	19,000
Other capital assets, net of depreciation	6,013,430	9,930,211	15,943,641	71,490
Total capital assets	7,326,762	10,169,895	17,496,657	90,490
Total assets	24,695,528	10,956,955	35,652,483	382,058
Liabilities				
Accounts payable and accrued liabilities	794,723	112,354	907,077	142,235
Unearned revenues	75,202	-	75,202	-
Long-term liabilities:				
Due within one year	1,626,455	104,500	1,730,955	-
Due in more than one year	12,751,666	8,218,995	20,970,661	-
Total long-term liabilities	14,378,121	8,323,495	22,701,616	142,235
Total liabilities	15,248,046	8,435,849	23,683,895	142,235
Net assets				
Invested in capital assets, net of related debt	5,403,719	3,359,395	8,763,114	90,490
Restricted for:				
Working capital	-	-	-	50,876
Education	2,275,088	-	2,275,088	-
Unrestricted	1,768,675	(838,289)	930,386	98,457
Total net assets	9,447,482	2,521,107	11,968,588	239,823
				657,421
				35,597
				693,018

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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Primary Government			Scotland County Historic Properties Commission
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	3,998,110	415,710	-	-	(3,582,400)	-	(3,582,400)	-
Public safety	7,495,732	1,344,900	-	-	(6,150,832)	-	(6,150,832)	-
Economic and physical development	782,287	-	15,047	-	(767,240)	-	(767,240)	-
Human services	14,866,191	136,500	9,733,719	-	(4,995,972)	-	(4,995,972)	-
Cultural and recreational	1,099,758	120,537	-	-	(979,221)	-	(979,221)	-
Other expenditures	196,407	-	-	-	(196,407)	-	(196,407)	-
Intergovernmental:								
Education	12,837,873	1,298,485	-	-	(11,539,388)	-	(11,539,388)	-
Revaluation	157,045	-	12,314	-	(144,731)	-	(144,731)	-
Interest on long-term debt	636,177	-	-	-	(636,177)	-	(636,177)	-
Total governmental activities	42,069,580	3,316,132	9,761,080	-	(28,992,368)	-	(28,992,368)	-
Business-type activities:								
Public Works	2,066,092	1,779,684	-	-	-	(286,408)	(286,408)	-
Water District Phase I	613,513	469,023	-	-	-	(144,490)	(144,490)	-
Water District Phase II	578,027	428,004	-	-	-	(150,023)	(150,023)	-
	3,257,632	2,676,711	-	-	-	(580,921)	(580,921)	-
Component units:								
ABC Board	1,212,842	1,323,271	-	-	-	-	-	110,429
Historic Properties	55,326	-	10,897	27,988	-	-	-	(16,441)
Total component units	1,268,168	1,323,271	10,897	27,988	-	-	-	110,429

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, 2009

	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				Scotland County Historic Properties Commission
	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	
General revenues:					
Taxes:					
Property taxes, levied for general purpose	19,855,736	-	19,855,736	-	-
Local option sales tax	8,398,883	-	8,398,883	-	-
Other taxes and licenses	478,314	-	478,314	-	-
Investment earnings, unrestricted	260,704	-	260,704	303	-
Miscellaneous, unrestricted	184,116	-	184,116	-	16,684
Transfers-Historical Properties	(18,000)	-	(18,000)	-	18,000
Transfers-ABC Board	114,715	-	114,715	(114,715)	-
Total general revenues, special items, and transfers	29,274,468	-	29,274,468	(114,412)	34,684
Change in net assets	282,100	(580,921)	(298,821)	(3,983)	18,243
Net assets-beginning	9,165,382	3,102,028	12,267,410	243,806	674,775
Net assets-ending	9,447,482	2,521,107	11,968,588	239,823	693,018

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

FUND FINANCIAL STATEMENTS

Scotland County, North Carolina
Balance Sheet
Governmental Funds
 June 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	9,266,514	2,839,767	12,106,281
Receivables (net)			
Taxes	3,431,618	-	3,431,618
Accounts	547,080	1,261	548,341
Due from other governments	1,278,026	-	1,278,026
Due (to) from other funds	455,789	(455,789)	-
Total assets	14,979,027	2,385,239	17,364,266
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	785,658	6,824	792,482
Deferred revenues	3,431,619	-	3,431,619
Unearned revenue	75,202	-	75,202
Total liabilities	4,292,479	6,824	4,299,303
Fund balances:			
Reserved for:			
State statute	2,280,894	-	2,280,894
Designated for:			
Education	2,275,088	-	2,275,088
Law enforcement	99,185	-	99,185
Banking and insurance	320,297	-	320,297
Unreserved undesignated	4,922,019	-	4,922,019
Unreserved, undesignated for subsequent year's expenditures	789,065	-	789,065
Unreserved reported in nonmajor special revenue funds	-	1,776,426	1,776,426
Capital projects fund	-	601,989	601,989
Total fund balances	10,686,548	2,378,415	13,064,962
Total liabilities and fund balances	14,979,027	2,385,239	

8,405,654

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.	7,326,762
Liabilities for earned but deferred revenues in fund statements.	3,431,619
Some liabilities, including bonds-notes payable, accrued interest, pension and other postemployment benefits, and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(14,375,861)
	9,447,482

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, 2009

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:			
Ad valorem taxes	19,139,421	213,997	19,353,418
Local option sales taxes	8,329,037	69,846	8,398,883
Other taxes and licenses	95,380	297,125	392,505
Unrestricted intergovernmental	85,809	-	85,809
Restricted intergovernmental	10,734,383	27,361	10,761,744
Permits and fees	324,604	-	324,604
Sales and services	1,329,590	-	1,329,590
Investment earnings	257,796	2,908	260,704
Fines, forfeitures	610,653	-	610,653
Miscellaneous	563,589	-	563,589
Total revenues	41,470,262	611,237	42,081,499
Expenditures:			
General government	2,111,348	-	2,111,348
Public safety	6,748,902	409,551	7,158,453
Economic & physical development	774,581	160,196	934,777
Central service	1,800,733	-	1,800,733
Human services	14,257,509	-	14,257,509
Cultural and recreational	1,087,181	49,576	1,136,757
Other expenditures	201,407	-	201,407
Education	12,837,873	-	12,837,873
Revaluation	-	157,045	157,045
Debt service:			
Principal retirement	1,551,827	-	1,551,827
Interest	636,177	-	636,177
Total expenditures	42,007,538	776,368	42,783,906
Excess of revenues (under) expenditures	(537,276)	(165,131)	(702,407)
Other financing sources (uses):			
Transfers (to) from other funds	(827,779)	827,779	-
Transfers from component units	96,715	-	96,715
Refunding bonds issued	4,746,000	-	4,746,000
Payment to refunded bond escrow agent	(4,560,000)	-	(4,560,000)
Total other financing sources (uses)	(545,064)	827,779	282,715
Net change in fund balance	(1,082,340)	662,648	(419,692)
Fund balances-beginning	11,768,888	1,715,766	13,484,654
Fund balances-ending	<u>10,686,548</u>	<u>2,378,414</u>	<u>13,064,962</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, 2009

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

Net changes in fund balances - total governmental funds		(419,692)
<p>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.</p>		
		176,253
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		279,991
<p>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.</p>		
		1,365,827
<p>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.</p>		
Compensated absences	(143,351)	
Net pension obligation	16,858	
Other postemployment benefits	(993,786)	(1,120,279)
Total changes in net assets of governmental activities		282,100

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, 2009

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	19,813,637	19,813,637	19,139,421	(674,216)
Local option sales taxes	8,141,740	8,141,740	8,329,037	187,297
Other taxes and licenses	59,000	59,000	95,380	36,380
Unrestricted intergovernmental	90,000	90,000	85,809	(4,191)
Restricted intergovernmental	11,154,103	11,154,403	10,734,383	(420,020)
Permits and fees	464,950	464,950	324,604	(140,346)
Sales and services	1,195,826	1,195,826	1,329,590	133,764
Investment earnings	700,000	700,000	257,796	(442,204)
Fines, forfeitures	400,000	400,000	610,653	210,653
Miscellaneous	346,870	346,870	563,589	216,719
Total revenues	42,366,126	42,366,426	41,470,262	(896,164)
Expenditures:				
General government	2,521,668	2,521,668	2,111,348	410,320
Public safety	6,983,418	6,983,418	6,748,902	234,516
Economic and physical development	1,195,344	1,195,344	774,581	420,763
Central services	1,588,450	2,048,888	1,800,733	248,155
Human services	14,878,134	15,994,230	14,257,509	1,736,721
Cultural and recreational	1,364,483	1,364,483	1,087,181	277,302
Other expenditures	196,912	196,912	201,407	(4,495)
Intergovernmental:				
Education	12,959,652	12,959,652	12,837,873	121,779
Debt service:				
Principal retirement	1,376,723	1,563,130	1,551,827	11,303
Interest	636,284	636,177	636,177	-
Total expenditures	43,701,068	45,463,902	42,007,538	3,456,364
Excess of revenues (under) expenditures	(1,334,942)	(3,097,476)	(537,276)	2,560,200
Other financing sources (uses):				
Transfers (to) other funds	(427,779)	(927,779)	(827,779)	100,000
Transfers from component units (net)	83,000	83,000	96,715	13,715
Refunding bonds issued	-	4,746,000	4,746,000	-
Payment to refunded bond escrow agent	-	(4,560,000)	(4,560,000)	-
Total other financing sources (uses)	(344,779)	(658,779)	(545,064)	113,715
Appropriated fund balance	1,679,721	3,756,255	-	3,756,255
Net change in fund balance	<u>-</u>	<u>-</u>	(1,082,340)	<u>(1,082,340)</u>
Fund balances - beginning			<u>11,768,888</u>	
Fund balances - ending			<u>10,686,548</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, 2009

	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	170	323,998	-	324,168
Accounts receivable, net	160,988	152,828	149,076	462,892
Due (to) from other funds	<u>(52,208)</u>	<u>225,837</u>	<u>(173,629)</u>	<u>-</u>
Total current assets	108,950	702,663	(24,553)	787,060
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	239,684	-	-	239,684
Other capital assets, net of depreciation	<u>358,454</u>	<u>3,080,187</u>	<u>6,491,570</u>	<u>9,930,211</u>
Total capital assets	<u>598,138</u>	<u>3,080,187</u>	<u>6,491,570</u>	<u>10,169,895</u>
Total assets	<u>707,088</u>	<u>3,782,850</u>	<u>6,467,017</u>	<u>10,956,955</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	112,145	209	-	112,354
General obligation bonds payable	<u>-</u>	<u>35,500</u>	<u>69,000</u>	<u>104,500</u>
Total current liabilities	112,145	35,709	69,000	216,854
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,451,070	-	-	1,451,070
Other post employment benefits	39,413	-	-	39,413
Compensated absences payable	22,512	-	-	22,512
General obligation bonds payable	<u>-</u>	<u>1,827,500</u>	<u>4,878,500</u>	<u>6,706,000</u>
Total noncurrent liabilities	<u>1,512,995</u>	<u>1,827,500</u>	<u>4,878,500</u>	<u>8,218,995</u>
Total liabilities	1,625,140	1,863,209	4,947,500	8,435,849
NET ASSETS				
Invested in capital assets, net of related debt	598,138	1,217,187	1,544,070	3,359,395
Unrestricted	<u>(1,516,190)</u>	<u>702,454</u>	<u>(24,553)</u>	<u>(838,289)</u>
Total net assets	<u>(918,052)</u>	<u>1,919,641</u>	<u>1,519,517</u>	<u>2,521,106</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
Operating revenues:				
Charges for services	1,577,849	463,773	413,111	2,454,733
Water taps	-	5,250	14,893	20,143
Other operating revenues	<u>201,835</u>	<u>-</u>	<u>-</u>	<u>201,835</u>
Total operating revenues	1,779,684	469,023	428,004	2,676,711
Operating expenses:				
Landfill operations	1,887,741	-	-	1,887,741
Water purchases	-	153,505	102,586	256,091
Water operations	-	254,318	78,652	332,970
Landfill closure and postclosure care costs	104,961	-	-	104,961
Depreciation	<u>73,390</u>	<u>113,236</u>	<u>183,736</u>	<u>370,362</u>
Total operating expenses	2,066,092	521,059	364,974	2,952,125
Operating income (loss)	(286,408)	(52,036)	63,030	(275,414)
Nonoperating (expenses):				
Interest	<u>-</u>	<u>(92,454)</u>	<u>(213,053)</u>	<u>(305,507)</u>
Total nonoperating (expenses)	-	(92,454)	(213,053)	(305,507)
(Loss) before transfers	(286,408)	(144,490)	(150,023)	(580,921)
Other financing sources:				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(286,408)	(144,490)	(150,023)	(580,921)
Total net assets - beginning	<u>(631,644)</u>	<u>2,064,131</u>	<u>1,669,540</u>	<u>3,102,028</u>
Total net assets - ending	<u>(918,052)</u>	<u>1,919,641</u>	<u>1,519,517</u>	<u>2,521,106</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, 2009

	Business-type Activities Enterprise Funds			Totals June 30, 2009
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	1,806,081	534,884	422,466	2,763,431
Cash paid for goods and services	(1,216,641)	(356,244)	(181,238)	(1,754,123)
Cash paid to or on behalf of employees for services	(584,588)	(51,733)	-	(636,321)
Net cash provided by operating activities	4,852	126,907	241,228	372,987
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in due to (from) other funds	(201,441)	139,963	(192,171)	(253,649)
Total cash flows provided by (used in) financing activities	(201,441)	139,963	(192,171)	(253,649)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(54,620)	-	-	-
Interest paid on bond maturities	-	(92,454)	(213,053)	(305,507)
Principal paid on bond maturities	-	(33,500)	(65,500)	(99,000)
Net cash (used in) capital and related financing activities	(54,620)	(125,954)	(278,553)	(459,127)
Net increase (decrease) in cash and cash equivalents	(251,209)	140,916	(229,496)	(339,789)
Balances - beginning of the year	251,379	183,082	229,496	663,957
Balances - end of the year	170	323,998	-	324,168

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, 2009

	Business-type Activities			Totals June 30, 2009
	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)	(286,408)	(52,036)	63,030	(275,414)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	73,390	113,236	183,736	370,362
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(13,012)	65,861	(5,538)	47,311
Increase (decrease) in accounts payable and accrued liabilities	188,246	(154)	-	188,092
Increase in accrued vacation pay	3,223	-	-	3,223
Increase in OPEB payable	39,413	-	-	39,413
Total adjustment	291,260	178,943	178,198	648,401
Net cash provided by operating activities	<u>4,852</u>	<u>126,907</u>	<u>241,228</u>	<u>372,987</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, 2009

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>647,733</u>
Liabilities	
Miscellaneous liabilities	<u>647,733</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, 2009

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Scotland County Water District I	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the Districts.	None issued.
Scotland County Water District II	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the Districts.	None issued.
Scotland County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Scotland County Historic Properties Commission	Discrete	The County's governing board appoints the members of the commission and has the ability to impose its will on the organization.	Scotland County Historic Properties Commission c/o Mr. 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. 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 ABC Board and Scotland County Historic Properties Commission are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the ABC Board, and the Historic Properties Commission may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also the County, the ABC Board, and the Historic Properties Commission may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

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

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable

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

4. Allowances for Doubtful Accounts

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

5. Inventories and Prepaid Items

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

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

6. Capital Assets

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

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

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

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

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

7. Long-term Obligations

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

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

8. Compensated Absences

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

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

9. Net Assets/Fund Balances

Net Assets

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either 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 2009-2010 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 \$2,629,657 consists of several elements as follows:

Fixed assets	16,374,053
Less accumulated depreciation	<u>(9,047,291)</u>
Net capital assets	\$ 7,326,762
Deferred charges related to bond issuance cost included on government-wide statements of net assets but are not a current financial source of funds	4,500
Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	3,429,380
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(12,531,044)
Compensated absences	(810,587)
Net pension obligation	(42,705)
Other post-employment benefits	<u>(993,786)</u>
	(14,378,122)
Total adjustment	\$ <u>(3,617,480)</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 \$701,792 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 759,275
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	(583,022)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities-it affects only the government-wide statement of net assets.	(4,746,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements.	6,111,827
Expenses reported on fund statements that are capitalized on government-wide statements - bonds issuance cost.	5,000
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Amortization of bond issuance cost not recorded on fund statements.	(500)
Compensated absences	(130,993)
Other postemployment benefits	(993,786)
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statements.	
Increase in deferred tax revenue at year end	<u>279,991</u>
Total adjustment	<u>\$ 701,792</u>

II. Stewardship, Compliance, and Accountability

A. Deficit in Net Assets

The Public Works Fund has negative Net Assets as of June 30, 2009 in the amount of \$918,052. In addition, the Courthouse Project Fund has a deficit of \$10,611. A corrective action plan has been outlined in the compliance section of this report. (See significant deficiency 09-1 in the Schedule of Findings and Questioned Costs).

B. Preparation of the Financial Statements and Significant Journal Entries

Currently, the independent auditor prepares the financial statements and is needed to propose material journal entries. (See material deficiency 09-2 in the Schedule of Findings and Questioned Costs).

C. Late Filing of the Other Post Employment Benefit Study Information

The information for the actuarial study for post employment benefits was not submitted in a timely manner resulting in delays in the independent audit. (See material deficiency 09-3 in the Schedule of Findings and Questioned Costs).

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the County's, the Historic Properties Commission, and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Historic Properties Commission's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Historic Properties

Commission, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits.

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

At June 30, 2009, the County's deposits had a carrying amount of \$5,799,875 and a bank balance of \$6,068,914. Of the bank balance \$500,000 was covered by federal depository insurance, and \$325,000 in non-interest bearing deposits and \$5,243,914 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2009, Scotland County had \$3,000 cash on hand.

At June 30, 2009, the carrying amount of deposits for Scotland County ABC Board was \$86,671 and the bank balance was \$111,092. All of the bank balance was covered by federal depository insurance.

At June 30, 2009, the carrying amount of deposits for Scotland County Historic Properties Commission was \$35,597 and the bank balance was \$38,197. 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, 2009, the County's investments consisted of \$7,278,307 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 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	692,203	39,802	732,005
2009	<u>666,082</u>	<u>38,300</u>	<u>704,382</u>
Total	<u>4,010,632</u>	<u>610,137</u>	<u>4,611,769</u>

4. Receivables

Receivables at the government-wide level at June 30, 2009, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Funds/ Governments	Total
Governmental activities:				
General	\$ 546,852	\$ 3,574,603	\$ 1,278,026	\$ 5,399,481
Total receivables	546,852	3,574,603	1,278,026	5,399,481
Allowance for doubtful accounts	-	(142,984)	-	(142,984)
Total - governmental activities	<u>\$ 546,852</u>	<u>\$ 3,431,619</u>	<u>\$ 1,278,026</u>	<u>\$ 5,256,497</u>
Business-type activities:				
Public works	\$ 160,988	\$ -	\$ -	\$ 160,988
Water district I	152,828	-	-	152,828
Water district II	149,076	-	-	149,076
Total - business-type activities	<u>\$ 462,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,892</u>

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

Local option sales tax	\$ 1,224,402
Sales tax refunds	53,624
Total	<u>\$ 1,278,026</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2009, 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	2,178,227	-	2,178,227	-
Total capital assets not being depreciated	<u>3,491,559</u>	<u>-</u>	<u>2,178,227</u>	<u>1,313,332</u>
Capital assets being depreciated:				
Buildings	6,683,817	2,178,227	-	8,862,044
Equipment	960,256	222,376	-	1,182,632
Vehicles and motor equipment	4,544,145	471,899	-	5,016,045
Total capital assets being depreciated	<u>12,188,218</u>	<u>2,872,502</u>	<u>-</u>	<u>15,060,721</u>
Less accumulated depreciation for:				
Buildings	3,555,777	140,360	-	3,696,137
Equipment	888,469	139,180	-	1,027,649
Vehicles and motor equipment	4,020,023	303,482	-	4,323,505
Total accumulated depreciation	<u>8,464,269</u>	<u>583,022</u>	<u>-</u>	<u>9,047,291</u>
Total capital assets being depreciated, net	<u>3,723,949</u>	<u>-</u>	<u>-</u>	<u>6,013,430</u>
Governmental activity capital assets, net	<u>\$ 7,215,508</u>			<u>\$ 7,326,762</u>

Primary Government

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

General government	\$ 141,025
Public safety	232,670
Central service	59,182
Human services	150,145
Total depreciation expense	<u>\$ 583,022</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	294,816	-	-	\$ 294,816
Furniture and maintenance equipment	1,512,146	-	-	\$ 1,512,146
Vehicles	639,436	54,620	-	\$ 694,056
Total capital assets being depreciated	<u>3,313,585</u>	<u>54,620</u>	<u>-</u>	<u>\$ 3,368,205</u>
Less accumulated depreciation for:				
Buildings	727,151	20,691	-	\$ 747,842
Improvements	259,814	424	-	\$ 260,238
Furniture and maintenance equipment	1,404,722	29,089	-	\$ 1,433,811
Vehicles	544,674	23,186	-	\$ 567,860
Total accumulated depreciation	<u>2,936,361</u>	<u>73,390</u>	<u>-</u>	<u>\$ 3,009,751</u>
Total capital assets being depreciated, net	<u>377,224</u>			<u>\$ 358,454</u>
Landfill capital assets, net	<u>616,908</u>			<u>\$ 598,138</u>
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	<u>4,529,450</u>	-	-	<u>4,529,450</u>
Total capital assets being depreciated	<u>4,529,450</u>	-	-	<u>4,529,450</u>
Less accumulated depreciation for:				
Plant and distribution systems	<u>1,336,027</u>	<u>113,236</u>	-	<u>1,449,263</u>
Total accumulated depreciation	<u>1,336,027</u>	<u>113,236</u>	-	<u>1,449,263</u>
Total capital assets being depreciated, net	<u>3,193,423</u>			<u>3,080,187</u>
Scotland County Water District I capital assets, net	<u>3,193,423</u>			<u>3,080,187</u>
Scotland County Water District II				
Capital assets not being depreciated:				
Construction in progress	-	-	-	-
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Plant and distribution systems	<u>7,349,440</u>	-	-	<u>7,349,440</u>
Total capital assets being depreciated	<u>7,349,440</u>	-	-	<u>7,349,440</u>
Less accumulated depreciation for:				
Plant and distribution systems	<u>674,134</u>	<u>183,736</u>	-	<u>857,870</u>
Total accumulated depreciation	<u>674,134</u>	<u>183,736</u>	-	<u>857,870</u>
Total capital assets being depreciated, net	<u>6,675,306</u>			<u>6,491,570</u>
Scotland County Water District II capital assets, net	<u>6,675,306</u>			<u>6,491,570</u>
Business-type activities capital assets, net	<u>10,485,637</u>			<u>10,169,894</u>

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2009, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	178,304	7,113	-	185,417
Furniture and equipment	<u>66,721</u>	<u>9,570</u>	<u>-</u>	<u>76,291</u>
Total capital assets being depreciated	<u>245,025</u>	<u>16,683</u>	<u>-</u>	<u>261,708</u>
Total accumulated depreciation	<u>182,123</u>	<u>8,095</u>	<u>-</u>	<u>190,218</u>
ABC capital assets, net	<u>\$ 81,902</u>			<u>\$ 90,490</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2009, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 195,000	\$ -	\$ -	\$ 195,000
Capital assets being depreciated:				
Buildings	411,232	30,669	-	441,901
Furniture and equipment	<u>219,658</u>	<u>5,540</u>	<u>-</u>	<u>225,198</u>
Total capital assets being depreciated	<u>630,890</u>	<u>36,209</u>	<u>-</u>	<u>667,099</u>
Less accumulated depreciation	<u>182,060</u>	<u>22,618</u>	<u>-</u>	<u>204,678</u>
Commission capital assets, net	<u>\$ 643,830</u>			<u>\$ 657,421</u>

B. Liabilities

1. Payables & Accrued Liabilities

Payables at the government-wide level at June 30, 2009 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	1,206,053	623,391	-	1,829,444
Other governmental	<u>6,824</u>	<u>-</u>	<u>-</u>	<u>6,824</u>
Total - governmental activities	<u>1,212,877</u>	<u>623,391</u>	<u>-</u>	<u>1,836,268</u>
Business-type activities:				
Public works	86,457	25,788	-	112,245
Water and sewer district	<u>109</u>	<u>-</u>	<u>-</u>	<u>109</u>
Total - business-type activities	<u>86,566</u>	<u>25,788</u>	<u>-</u>	<u>112,354</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 4.86% and 4.91%, 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, 2009, 2008 and 2007 were \$457,467, \$490,990, and \$466,323, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2009, 2008 and 2007 were \$23,203, \$22,061 and \$21,034, respectively. The contributions made by the County and the ABC Board equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2008, the Separation Allowance's membership consisted of:

Retirees receiving benefits	5
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>41</u>
Total	<u>46</u>

2. Summary of Significant Accounting Policies:

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

3. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$56,349, or 3.92% 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, 2007 was 23 years.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending 06-30-2009

(a) Employer annual required contribution	52,216
(b) Interest on net pension obligation	3,364
(c) Adjustment to annual required contribution	(2,933)
(d) Annual pension cost (a) + (b) + (c)	52,647
(e) Employer contributions made for fiscal year ending 06-30-2009	<u>56,349</u>
(f) (Decrease) in net pension obligation (d) – (e)	(3,702)
(g) Net pension obligation beginning of fiscal year	<u>46,407</u>
(h) Net pension obligation end of fiscal year (f) + (g)	<u>42,705</u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	46,991	130.65%	65,061
2008	51,498	136.22%	46,407
2009	52,647	107.03%	42,705

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, 2009 were \$127,298, which consisted of \$71,946 from the County and \$55,352 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, 2009, 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, 2009 were \$1,217,549, which consisted of \$292,047 from the County and \$925,502 from the employees. The County's contributions and the employees' voluntary contributions represented 3.85 percent and 11.88 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, 2009, the County's required and actual contributions were \$2,304.

f. Other Post Employment Benefit:

Healthcare Benefits

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

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

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

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

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

Membership of the HCB Plan consisted of the following at December 31, 2008, the date of the latest actuarial valuation:

Active Members	
Law enforcement officers	6
General employees	286
Retired members	<u>75</u>
Total	<u>367</u>

Funding Policy. The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of County Commissioners. The County members pay \$360.00 for EE/Spouse coverage, \$215.00 for EE/Child(ren) coverage. Only one (1) retiree carries dependent coverage and that is EE/Spouse. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 14.3% of annual covered payroll. For the current year the County contributed \$313,337 or 3.33% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a Board resolution, for employees represented 19.14% of covered payroll. There were no contributions made by employees, except for dependent coverage in the amount of \$200,320.

Summary of Significant Accounting Policies.

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

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

The county's annual OPEB cost, the percentage of annual OPEB cost contribution to the FCC Plan, and the net OPEB obligation for 2009 is as follows:

Annual required contribution	\$1,346,537
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	\$1,346,537
Contributions made	<u>(313,337)</u>
Increase in net OPEB obligation	1,033,200
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$1,033,200</u>

For Year End June 30,	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$1,346,537	23.27%	\$1,033,200

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$17,301,674. The covered payroll (annual payroll of active employees covered by the plan) was \$9,416,098, and the ratio of the UAAL to the covered payroll was

183.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 10.50 and 5.00 percent. Both rates included a 3.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2008 was 30 years.

g. Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2009, the County made contributions to the State for death benefits of \$14,742. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 10.61% and 89.39% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

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

State and federal laws and regulations require the County to place a final cover on its Patterson Road Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,920,517 reported as landfill closure and postclosure care liability at June 30, 2009 represents a cumulative amount reported to-date based on the use of 75% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,574,408 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 2009. 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)	\$ -	\$ 75,202
Taxes receivable, net (General)	<u>\$ 3,431,619</u>	<u>\$ -</u>
Total	<u>\$ 3,431,619</u>	<u>\$ 75,202</u>

5. Risk Management

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

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

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

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

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

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

6. Claims, Judgments and Contingent Liabilities

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

7. Long-Term Obligations

a. General Obligation Indebtedness

All general obligation bonds serviced by the County are secured by the full faith, credit and taxing power of the County. Scotland County issued bonds for the acquisition and construction of two new schools. These bonds are secured by the full faith, credit and taxing power of the County.

with, credit, and the acquisition collateralized by the County when due.

The County's general obligation bonds payable are as follows:

individual issues:

Serviced by the County's General Fund:

\$4,746,000 school series 2008 bonds due June 1 in installments of \$368,000 to \$488,000 through June 1, 2020; interest at 3.95%
(Replaced school series 1997)

258,000

\$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%
(Refinanced in fiscal 09-10)

3,200,000

\$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%
(Refinanced in fiscal 09-10)

3,150,000

Total

10,608,000

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%

1,230,064

\$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%

259,509

\$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

1,923,043

TOTAL

12,531,043

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

Water District Bonds outstanding at June 30, 2009 in the amount of \$6,810,500 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
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	<u>530,400</u>	<u>38,205</u>
Total	<u>\$ 6,810,500</u>	<u>\$5,975,348</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	1,586,457	513,908
2011	1,604,128	450,918
2012	1,622,574	387,272
2013	1,048,876	324,312
2014-2018	4,978,009	978,909
2019-2023	<u>1,691,000</u>	<u>101,006</u>
Total	<u>\$ 12,531,044</u>	<u>\$2,756,325</u>

At June 30, 2009, Scotland County had a legal debt margin of \$133,982,367.

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, 2009:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 11,510,000	4,735,104	5,637,104	\$ 10,608,000	\$ 1,143,000
Net pension obligation	\$ 46,407	-	3,702	\$ 42,705	\$ -
Installment finance	\$ 2,347,767	-	424,723	\$ 1,923,043	\$ 483,455
Compensated absences	\$ 776,601	628,990	595,004	\$ 810,587	\$ -
Other postemployment benefits	\$ -	993,786	-	\$ 993,786	\$ -
Total governmental activities	\$ 14,680,775	\$ 6,357,880	\$ 6,660,534	\$ 14,378,121	\$ 1,626,455
Business-type activities:					
General obligation debt	\$ 6,909,500	-	99,000	\$ 6,810,500	\$ 104,500
Accrued landfill closure and postclosure care costs	\$ 1,346,109	104,961	-	\$ 1,451,070	\$ -
Compensated absences	\$ 19,289	19,846	16,623	\$ 22,512	\$ -
Other postemployment benefits	\$ -	39,413	-	\$ 39,413	\$ -
Total business-type activities	\$ 8,274,898	\$ 164,220	\$ 115,623	\$ 8,323,495	\$ 104,500

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2009, consist of the following:

From the General Fund to the:

Youth Recreation Capital Project for funding of the project	\$ 327,779
Wagram Recreation Capital Project to fund the project	\$ 500,000
Total Transfer	<u>\$ 827,779</u>

Due To and From Interfunds and Other Governments

General Fund:

Due from Capital Projects for cash used in construction \$ 455,789

Water district one:

Due from Water District Two for cash used in operations \$ 173,629

Due from Solid Waste for cash used in operations \$ 52,209

\$ 225,838

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 \$24,323 to the Council during the fiscal year ended June 30, 2009.

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, 2009, Scotland County approved and paid the sum of \$105,000 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	50,471,410	20,501,631
Food stamp program	11,869,442	-
WIC	1,295,775	-
Title IV-E, foster care	220,045	41,196
Total	<u>\$ 63,856,672</u>	<u>\$ 20,542,827</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 September 15, 2009, the \$6,690,000 series 1998 and 1999 School Bond's were refinanced to a 3.25% 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
- Schedule of Funding Progress for the Other Postemployment Benefits
- Schedule of Employer Contributions for the Other Postemployment Benefits
- Notes to the Required Schedules for the Other Postemployment Benefits

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12-31-01	-	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%
12-31-08	-	495,412	495,412	0.00%	1,416,775	34.97%

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

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2003	-	0.00%
2004	-	0.00%
2005	-	0.00%
2006	-	0.00%
2007	-	0.00%
2008	-	0.00%
2009	-	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	12/31/2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	22 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% - 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/08	-	17,301,674	17,301,674	0%	9,416,098	183.75%

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	1,346,537	23.27%

Notes to the Required Schedules:

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

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		19,139,421	
Interest		<u>221,727</u>	
Total	19,813,637	19,361,148	(452,489)
Local option sales taxes:			
Article 39 one percent		3,210,521	
Article 40 one-half of one percent		2,274,451	
Article 42 one-half of one percent		1,856,539	
Article 44 one-half of one percent		<u>987,526</u>	
Total	8,141,740	8,329,037	187,297
Other taxes and licenses:			
Franchise tax	59,000	95,380	36,380
Unrestricted intergovernmental:			
Beer and wine tax	90,000	85,809	(4,191)
Restricted intergovernmental:			
State and federal grants		9,733,719	
Lottery proceeds		909,558	
Court facility fees		<u>91,106</u>	
Total	11,154,403	10,734,383	(420,020)
Permits and fees:			
Election fees		138	
Inspection fees		135,358	
Register of deeds		<u>189,108</u>	
Total	464,950	324,604	(140,346)

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues - continued:			
Sales and services:			
Jail and other fees		106,436	
Ambulance fees		966,127	
Recreation fees		120,527	
Health department fees		<u>136,500</u>	
Total	<u>1,195,826</u>	<u>1,329,590</u>	133,764
Investment earnings	700,000	257,796	(442,204)
Fines, forfeitures	400,000	388,927	(11,073)
Miscellaneous:			
Private grants		12,500	
Private donations		4,150	
Sheriff dept. - surveillance - shared revenue		10,126	
Other		<u>536,812</u>	
Total	<u>346,870</u>	<u>563,589</u>	216,719
 Total revenues	 42,366,426	 41,470,262	 (896,164)

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		54,336	
Other operating expenditures		<u>27,860</u>	
Total	88,472	82,196	6,276
Administration:			
Salaries and employee benefits		595,926	
Other operating expenditures		<u>78,197</u>	
Total	766,395	674,123	92,272
Elections:			
Salaries and employee benefits		137,964	
Other operating expenditures		<u>29,854</u>	
Total	186,239	167,817	18,422
Tax:			
Salaries and employee benefits		479,093	
Other operating expenditures		90,442	
Capital outlay		<u>37,720</u>	
Total	618,025	607,255	10,770
Legal:			
Contracted services	47,000	46,387	613
Register of deeds:			
Salaries and employee benefits		181,125	
Other operating expenditures		<u>93,575</u>	
Total	284,972	274,700	10,272

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		8,267	
	105,000	8,267	96,733
Information technology:			
Salaries and employee benefits	'	134,097	
Other operating expenditures		69,094	
Capital outlay		47,411	
Total	425,565	250,602	174,963
Total general government	2,521,668	2,111,348	410,320
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,207,268	
Other operating expenditures		375,624	
Capital outlay		123,594	
Total	2,803,985	2,706,486	97,499
Jail:			
Salaries and employee benefits		1,055,022	
Other operating expenditures		700,279	
Total	1,767,407	1,755,302	12,105
Emergency communications & services:			
Salaries and employee benefits		1,282,917	
Other operating expenditures		199,761	
Capital outlay		26,749	
Total	1,557,464	1,509,427	48,037
Forestry service	89,750	75,341	14,409

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Inspections:			
Salaries and employee benefits		261,765	
Other operating expenditures		19,757	
Capital outlay		13,370	
Total	310,414	294,892	15,522
Planning & zoning:			
Salaries and employee benefits		2,136	
Other operating expenditures		3,251	
	19,850	5,387	14,463
Scotland County Rescue Squad	50,000	39,783	10,217
Scotland-Hoke Criminal Justice Partnership grant	156,628	156,178	450
Medical examiner	40,000	28,400	11,600
Animal control:			
Salaries and employee benefits		87,735	
Other operating expenditures		9,310	
Total	100,635	97,045	3,590
Humane society	77,285	71,082	6,203
Surveillance and drugs:			
Other operating expenditures	10,000	9,580	420
Total public safety	6,983,418	6,748,902	234,516

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, 2009

	2009		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures	386,600	363,768	22,832
Public Buildings:			
Salaries and employee benefits		563,460	
Other operating expenditures		745,360	
Capital outlay		128,145	
Total	1,662,288	1,436,965	225,323
Total central service	2,048,888	1,800,733	248,155
Economic and physical development:			
FCC water connection		402,764	
Contributions to nonprofits		65,387	
Region N-council of government		24,323	
SEDC		3,960	
Total	903,914	496,434	407,480
Co-op extension:			
Salaries and employee benefits		128	
Other operating expenditures		178,466	
Total	180,096	178,595	1,501
Soil and water conservation:			
Salaries and employee benefits		93,594	
Other operating expenditures		5,957	
Total	111,334	99,552	11,782
Total economic & physical development	1,195,344	774,581	420,763

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		22,953	
Scots for youth - CBA		169,082	
Scotland Home Health, Inc.		4,374	
Total other expenditures	196,912	196,408	504
Human services:			
Health:			
Administration:			
Salaries and employee benefits		782,926	
Other operating expenditures		177,977	
Capital outlay		68,170	
Total	1,165,232	1,029,072	136,160
Tuberculosis:			
Salaries and employee benefits		11,622	
Other operating expenditures		3,383	
Total	17,059	15,005	2,054
Orthopedic		6,316	
Child health		38,544	
Primary care		42,226	
Communicable diseases		223,534	
Total	368,396	310,619	57,777
Healthy carolinians:			
Salaries and employee benefits		24,054	
Other operating expenditures		1,570	
Total	41,993	25,624	16,369
Family planning:			
Salaries and employee benefits		352,580	
Other operating expenditures		56,095	
Total	517,176	408,675	108,501

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		243,869	
Other operating expenditures		<u>55,736</u>	
Total	<u>403,724</u>	299,605	104,119
Women, infants, and children:			
Salaries and employee benefits		248,411	
Other operating expenditures		<u>27,280</u>	
Total	<u>278,629</u>	275,690	2,939
Environmental health:			
Salaries and employee benefits		175,428	
Other operating expenditures		<u>11,084</u>	
Total	<u>198,798</u>	186,512	12,286
Child services coordinator:			
Salaries and employee benefits		111,973	
Other operating expenditures		<u>3,227</u>	
Total	<u>119,161</u>	115,200	3,961
MCC	198,116	194,497	3,619
Immunization:			
Salaries and employee benefits		45,434	
Other operating expenditures		<u>300</u>	
Total	<u>71,644</u>	45,734	25,910
Adult health:			
Salaries and employee benefits		24,052	
Other operating expenditures		<u>1,465</u>	
Total	<u>31,066</u>	25,517	5,549

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		7,274	
Other operating expenditures		1,566	
Total	35,388	8,840	26,548
Mental health:			
County participation cost		91,150	
ABC 5 cent bottle tax		6,684	
Total	100,920	97,834	3,086
Total health	3,547,302	3,038,426	508,876
Social Services:			
Administration:			
Salaries and employee benefits		4,273,540	
Other operating expenditures		6,459,787	
Total	11,925,285	10,733,326	1,191,959
Transportation:			
Salaries and employee benefits		339,085	
Other operating expenditures		82,292	
Total	456,389	421,377	35,012
Total social services	12,381,674	11,154,703	1,226,971

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		44,298	
Other operating expenditures		20,083	
Total	65,254	64,380	874
Total human services	15,994,230	14,257,509	1,736,721
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		320,825	
Other operating expenditures		309,011	
Capital outlay		26,740	
Total	876,620	656,576	220,044
Libraries:			
Salaries and employee benefits		220,291	
Other operating expenditures		163,214	
Capital outlay		47,101	
Total	487,863	430,606	57,257
Total cultural and recreational	1,364,483	1,087,181	277,302

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, 2009

	2009		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Education:			
Public schools - current expense		10,530,637	
Public schools - lottery - capital outlay		715,921	
Fines and forfeitures		386,301	
Contributions of capital		1,100,014	
Community colleges - current		<u>105,000</u>	
Total education	<u>12,959,652</u>	<u>12,837,873</u>	<u>121,779</u>
Debt service:			
Principal retirement		1,551,827	
Interest and fees, other		636,177	
Bond issuance cost		<u>5,000</u>	
Total debt service	<u>2,199,307</u>	<u>2,193,003</u>	<u>6,304</u>
Total expenditures	45,463,902	42,007,538	3,456,364
Revenues (under) expenditures	(3,097,476)	(537,276)	2,560,200

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, 2009

	2009		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
Special revenue funds revaluation	(927,779)	(827,779)	
Transfers to/from component unit:			
Scotland County Historic Properties Commission	(18,000)	(18,000)	
Scotland County ABC Board	101,000	114,715	
Refunding bonds issued	4,746,000	4,746,000	
Payment to refunded bond escrow agent	<u>(4,560,000)</u>	<u>(4,560,000)</u>	
Total other financing sources (uses)	(658,779)	(545,064)	113,715
Appropriated fund balance	3,756,255		3,756,255
Net change in fund balance	<u>-</u>	(1,082,340)	<u>(1,082,340)</u>
Fund balances:			
Beginning of year, July 1		<u>11,768,888</u>	
End of year, June 30		<u>10,686,548</u>	

Scotland County, North Carolina
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	Special Revenue Funds						Capital Project Funds						Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	Total						Youth							
	Capital Reserve Fund	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Community Development Block Grant	Nonmajor Special Revenue Funds	Spec Building Project Fund	Courthouse Project Fund	Task Force Fund	Wagram Recreation Center	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds		
Revenues:														
Ad valorem taxes	-	213,997	-	-	-	213,997	-	-	-	-	-	-	213,997	
Other taxes, licenses & fees	-	1,620	-	295,505	-	297,125	-	-	-	-	-	-	297,125	
Sales tax	-	69,846	-	-	-	69,846	-	-	-	-	-	-	69,846	
Restricted intergovernmental investment earnings	12,314	-	-	-	15,047	27,361	-	-	-	-	-	-	27,361	
	-	2,908	-	-	-	2,908	-	-	-	-	-	-	2,908	
Total revenues	12,314	288,371	-	295,505	15,047	611,237	-	-	-	-	-	-	611,237	
Expenditures:														
Revaluation	-	-	109,944	-	-	109,944	-	-	-	-	-	-	109,944	
Public safety	-	219,474	-	190,077	-	409,551	-	145,152	-	-	145,152	-	554,703	
Cultural and recreational	-	-	-	-	-	-	-	-	40,576	9,000	49,576	-	49,576	
Economic and physical development	47,101	-	-	-	15,047	62,148	-	-	-	-	-	-	62,148	
Total expenditures	47,101	219,474	109,944	190,077	15,047	581,643	-	145,152	40,576	9,000	194,728	-	776,371	
Revenues over (under) expenditures	(34,787)	68,897	(109,944)	105,428	-	29,594	-	(145,152)	(40,576)	(9,000)	(194,728)	-	(165,134)	
Other financing sources:														
Operating transfers in:														
General Fund	-	-	-	-	-	-	-	-	327,779	500,000	827,779	-	827,779	
Total other financing sources	-	-	-	-	-	-	-	-	327,779	500,000	827,779	-	827,779	
Net change in fund balances	(34,787)	68,897	(109,944)	105,428	-	29,594	-	(145,152)	287,203	491,000	633,051	-	662,645	
Fund balances - beginning	156,573	377,950	341,370	870,938	-	1,746,831	112,597	134,541	(278,200)	-	(31,062)	-	1,715,769	
Fund balances - ending	121,786	446,847	231,426	976,366	-	1,776,425	112,597	(10,611)	9,003	491,000	601,989	-	2,378,414	

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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State shared revenue	<u>47,101</u>	<u>12,314</u>	<u>(34,787)</u>
Total revenues	47,101	12,314	(34,787)
Expenditures:			
Equipment	<u>47,101</u>	<u>47,101</u>	<u>-</u>
Total expenditures	47,101	47,101	-
Revenues (under) expenditures	-	(34,787)	(34,787)
Other financing sources:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	(34,787)	<u>(34,787)</u>
Fund balances - beginning		<u>156,573</u>	
Fund balances - ending		<u>121,786</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, 2009

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	216,000	213,997	(2,003)
Other taxes, licenses & fees	500	1,620	1,120
Sales tax	55,000	69,846	14,846
Investment earnings	<u>2,500</u>	<u>2,908</u>	408
Total revenues	274,000	288,371	14,371
Expenditures:			
Public safety	<u>274,000</u>	<u>219,474</u>	54,526
Total expenditures	274,000	219,474	54,526
Revenues over expenditures	<u>-</u>	68,897	<u>68,897</u>
Fund balances - beginning		<u>377,950</u>	
Fund balances - ending		<u>446,847</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, 2009

	Budget	Actual	Variance Positive (Negative)
Revenues:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Revaluation	<u>134,000</u>	<u>109,944</u>	<u>24,056</u>
Revenues (under) expenditures	<u>(134,000)</u>	<u>(109,944)</u>	<u>(24,056)</u>
Other financing sources:			
Operating transfers in:			
General Fund	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Revenues and other sources (under) expenditures	<u>(34,000)</u>	<u>(109,944)</u>	<u>(75,944)</u>
Appropriated fund balance	<u>34,000</u>	<u>-</u>	<u>(34,000)</u>
Revenues, other sources, and appropriated fund balance under expenditures	<u>-</u>	<u>(109,944)</u>	<u>(109,944)</u>
Fund balances - beginning		<u>341,370</u>	
Fund balances - ending		<u>231,426</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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes, licenses & fees	<u>265,400</u>	<u>295,505</u>	<u>30,105</u>
Total revenues	265,400	295,505	30,105
Expenditures:			
Public safety	<u>390,287</u>	<u>190,077</u>	<u>200,210</u>
Total expenditures	390,287	190,077	200,210
Revenues over (under) expenditures	(124,887)	105,428	230,315
Appropriated fund balance	<u>124,887</u>	<u>-</u>	<u>(124,887)</u>
Revenues and appropriated fund balance over expenditures	<u>-</u>	105,428	<u>105,428</u>
Fund balances - beginning		<u>870,938</u>	
Fund balances - ending		<u>976,366</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, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental	<u>400,000</u>	<u>15,047</u>	<u>(384,953)</u>
Total revenues	400,000	15,047	(384,953)
Expenditures:			
Economic & physical development	<u>400,000</u>	<u>15,047</u>	<u>384,953</u>
Total expenditures	400,000	15,047	384,953
Revenues over expenditures	<u> -</u>	-	<u> -</u>
Fund balances - beginning		<u> -</u>	
Fund balances - ending		<u> -</u>	

Scotland County, North Carolina
Spec Building Capital Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2009

	<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>400,000</u>	-
Total other financing sources	800,000	833,470	-	833,470	33,470
Revenues and other sources over expenditures	<u>-</u>	<u>112,597</u>	-	<u>112,597</u>	<u>112,597</u>
Fund balances - beginning			<u>112,597</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, 2009

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	Variance Positive (Negative)
Revenues:					
None	-	-	-	-	-
Expenditures:					
Public safety	<u>1,050,000</u>	<u>865,459</u>	<u>145,152</u>	<u>1,010,611</u>	<u>(39,389)</u>
Total expenditures	1,050,000	865,459	145,152	1,010,611	(39,389)
Revenues (under) expenditures	(1,050,000)	(865,459)	(145,152)	(1,010,611)	39,389
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	1,000,000	-	1,000,000	(50,000)
Revenues and other sources over (under) expenditures	<u>-</u>	<u>134,541</u>	(145,152)	<u>(10,611)</u>	<u>(10,611)</u>
Fund balances - beginning			<u>134,541</u>		
Fund balances - ending			<u>(10,611)</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, 2009

	Project Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
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>-</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	2,323,639	40,576	2,364,215	(71,279)
Debt service:					
Principal retirement	44,367	44,367	-	44,367	-
Interest	<u>12,830</u>	<u>12,830</u>	<u>-</u>	<u>12,830</u>	<u>-</u>
Total expenditures	2,350,133	2,380,836	40,576	2,421,412	(71,279)
Revenues (under) expenditures	(429,000)	(878,199)	(40,576)	(918,775)	(489,775)
Other financing sources:					
Transfers in:					
General Fund	<u>429,000</u>	<u>600,000</u>	<u>327,779</u>	<u>927,779</u>	<u>498,779</u>
Revenues and other sources over (under) expenditures	<u>-</u>	<u>(278,199)</u>	287,203	<u>9,004</u>	<u>9,004</u>
Fund balances - beginning			<u>(278,200)</u>		
Fund balances - ending			<u>9,003</u>		

Scotland County, North Carolina
Wagram Recreation Center
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2009

	Project Authorization	Actual	Total to Date	Variance Positive (Negative)
Revenues:				
Restricted intergovernmental	500,000	-	-	(500,000)
Total revenues	500,000	-	-	(500,000)
Expenditures:				
Cultural and recreational	1,350,000	9,000	9,000	1,341,000
Total expenditures	1,350,000	9,000	9,000	1,341,000
Revenues (under) expenditures	(850,000)	(9,000)	(9,000)	841,000
Other financing sources:				
Installment financing	350,000	-	-	(350,000)
Transfers from:				
General Fund	500,000	500,000	500,000	-
Total other financing sources	850,000	500,000	500,000	(350,000)
Revenues and other sources over expenditures	-	491,000	491,000	491,000
Fund balances - beginning		-		
Fund balances - ending		491,000		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2009

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		1,577,849	
Other operating revenues	2,296,723	201,835	
Total operating revenues	2,296,723	1,779,684	517,039
Expenditures:			
Operating expenses:			
Salaries & employee benefits		545,181	
Supplies		16,698	
Repairs & maintenance		106,335	
Contracted services		74,018	
Waste disposal		846,747	
Other operating expenditures		256,125	
Total operating expenses	2,218,723	1,845,104	373,619
Capital outlays	78,000	54,620	23,380
Total expenditures	2,296,723	1,899,724	396,999
Revenues (under) expenditures	-	(120,040)	(120,040)
Other financing sources:			
None	-	-	-
Revenues (under) expenditures and other financing sources	-	(120,040)	(120,040)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		54,620	
Depreciation		(73,390)	
(Increase) in accrued vacation		(3,224)	
(Increase) in accrued landfill closure and postclosure costs		(104,961)	
Increase in accrued OPEB liability		(39,413)	
Total reconciling items		(166,368)	
Net (loss)		(286,408)	

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, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		463,773	
Water taps		5,250	
Total operating revenues	543,739	469,023	(74,716)
Expenditures:			
Operating expenses:			
Water purchases		153,505	
Other operating expenditures		254,318	
Total operating expenses	409,468	407,823	1,645
Debt service:			
Debt principal		33,500	
Interest		92,454	
Total	125,954	125,954	-
Total expenditures	535,422	533,777	1,645
Revenues over (under) expenditures	8,317	(64,754)	(73,071)
Other financing sources (uses):			
Transfer (to) other funds	(8,317)		8,317
Revenues and other sources (under) expenditures	<u>-</u>	(64,754)	<u>(64,754)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payment		33,500	
Depreciation		(113,236)	
Total reconciling items		(79,736)	
Net (loss)		<u>(144,490)</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, 2009

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		315,241	
Sewer fees		97,869	
Water taps		14,894	
Total operating revenues	463,353	428,004	(35,349)
Expenditures:			
Operating expenses:			
Water purchases		102,586	
Water operations		78,652	
Total operating expenses	181,300	181,238	62
Debt service:			
Debt principal		65,500	
Interest		213,053	
Total	282,053	278,553	3,500
Total expenditures	463,353	459,791	3,562
Revenues (under) expenditures	-	(31,787)	(31,787)
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Principal payments		65,500	
Depreciation		(183,736)	
Total reconciling items		(118,236)	
Change in net assets		(150,023)	

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2009

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2008</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2009</u>
2008-2009	-	19,705,329	18,321,682	1,383,647
2007-2008	1,262,345	-	709,087	553,258
2006-2007	493,624	-	104,517	389,107
2005-2006	388,859	-	62,872	325,987
2004-2005	274,970	-	34,018	240,952
2003-2004	193,609	-	13,971	179,638
2002-2003	160,581	-	9,517	151,064
2001-2002	134,940	-	8,376	126,564
2000-2001	137,486	-	5,583	131,903
1999-2000	97,380	-	4,897	92,483
1998-1999	73,871	-	73,871	-
Total	<u>3,217,665</u>	<u>19,705,329</u>	<u>19,348,391</u>	<u>3,574,603</u>

Less allowance for uncollectible accounts (142,984)

Ad valorem taxes receivable - net:
General Fund 3,431,619

Reconcilement with revenues:

Ad valorem taxes - General Fund 19,139,421
Interest collected on ad valorem taxes - General Fund & late list 221,727

Reconciling items:

Interest collected (204,029)
Priors year's penalties & advertising collected (484)
Discounts 83,072
Taxes written off 111,966
Bad debts recovered (3,282)
Total reconciling items (12,757)

Total collections and credits 19,348,391

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2009

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	1,721,244,455	1.02	17,556,693	17,556,693	-
Property taxed at current year's rate	140,665,098	1.02	1,434,784	-	1,434,784
Market value taxed at prior year's rate	78,295,755	1.06	829,935	-	829,935
Penalties & advertising	-		36,201	36,201	-
Total	1,940,205,308		19,857,613	17,592,894	2,264,719
Abatements	(14,929,785)		(152,284)	(89,012)	(63,272)
Total property valuations	<u>1,925,275,523</u>				
Net levy			19,705,329	17,503,882	2,201,447
Uncollected taxes at June 30, 2009			1,383,647	861,381	522,266
Current year's taxes collected			<u>18,321,682</u>	<u>16,642,501</u>	<u>1,679,181</u>
Current year collection percentage			92.98%	95.08%	76.28%

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2009

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 1,227,050,285
Personal property	608,995,976
Public service companies ²	<u>80,502,614</u>
Total assessed valuation	1,916,548,875
Tax rate per \$100	1.02 to 1.06
Levy (includes discoveries, releases and abatements) ³	\$ 19,705,329

In addition to the County-wide rate, the following table lists the levies by the County on behalf of the fire service district for the fiscal year ended June 30:

Fire protection districts	<u>\$ 222,404</u>
Total	<u>\$ 222,404</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, 2009

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2009 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Pilkington North America	Glass Production	\$ 101,877,647	5.32%
Westpoint Home, Inc.	Distribution	35,615,355	1.86%
Carrolls Realty	Real Estate	28,821,965	1.50%
Kordsa	Rubber-Cord	27,146,502	1.42%
FCC North Carolina, Inc.	Automotive Suppliers	25,903,463	1.35%
Progress Energy Carolinas	Utilities	23,200,664	1.21%
QualPack, LLC	Pharmaceutical	20,368,342	1.06%
Bell South Long Distance, Inc.	Utilities	17,519,919	0.91%
Meritor	Automotive Suppliers	15,810,931	0.82%
Railroad Friction	Brake Shoes	<u>12,692,458</u>	<u>0.66%</u>
Total		<u>\$ 308,957,246</u>	<u>16.10%</u>

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Social Services				
Assets:				
Cash & cash equivalents	37,785	14,494	12,705	39,574
Liabilities:				
Miscellaneous liabilities	37,785	14,494	12,705	39,574
Fines and Forfeitures				
Assets:				
Cash & cash equivalents	1,307	571,563	567,464	5,406
Liabilities:				
Intergovernmental payable				
Board of Education	-	386,301	386,301	-
Other Tax	-	150,428	147,620	2,808
Intergovernmental payable				
NC Division of Motor Vehicles	1,307	34,834	33,543	2,598
Total liabilities	1,307	571,563	567,464	5,406
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	31,361	148,971	126,913	53,419
Liabilities:				
Miscellaneous liabilities	31,361	148,971	126,913	53,419
Jail Canteen Fund				
Assets:				
Cash	16,618	73,023	75,259	14,382
Liabilities:				
Inmate funds	16,618	73,023	75,259	14,382
Tourism Development Fund				
Assets:				
Cash	184,097	307,949	346,695	145,351
Liabilities:				
Miscellaneous liabilities	184,097	307,949	346,695	145,351

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
Scotland Economic Development				
Assets:				
Cash	<u>340,000</u>	<u>90,572</u>	<u>40,971</u>	<u>389,601</u>
Liabilities:				
Miscellaneous liabilities	<u>340,000</u>	<u>90,572</u>	<u>40,971</u>	<u>389,601</u>
Totals - All Agency Funds				
Assets:				
Cash & cash equivalents	<u>611,168</u>	<u>1,206,572</u>	<u>1,170,007</u>	<u>647,733</u>
Liabilities:				
Miscellaneous liabilities	609,861	785,437	750,163	645,135
Intergovernmental payable				
Board of Education	-	386,301	386,301	-
NC Division of Motor Vehicles	<u>1,307</u>	<u>34,834</u>	<u>33,543</u>	<u>2,598</u>
Total liabilities	<u>611,168</u>	<u>1,206,572</u>	<u>1,170,007</u>	<u>647,733</u>

COMPLIANCE SECTION

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

P.O. DRAWER 1768

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

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, 2009, which collectively comprises Scotland County's basic financial statements, and have issued our report thereon dated January 20, 2010. 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. 09-1, 09-2 and 09-3.

We noted certain matters that we reported to management of Scotland County in a report dated January 20, 2010.

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, of the significant deficiencies described above we consider significant deficiency 09-2 and 09-3 to be material weaknesses.

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

January 20, 2010

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2009. 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, 2009.

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

January 20, 2010

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2009. 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, 2009.

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

January 20, 2010

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

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? | <u> X </u> yes | <u> </u> no |
| * Significant deficiencies identified that are not considered to be material weaknesses | <u> X </u> yes | <u> </u> none reported |
| Noncompliance material to financial statements noted | <u> </u> yes | <u> X </u> no |

Federal Awards

Internal control over major federal programs:

- | | | |
|---|-------------------|----------------------------|
| * Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| * Significant deficiencies identified that are not considered to be material weaknesses | <u> </u> yes | <u> X </u> 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 | <u> </u> yes | <u> X </u> no |
|---|-------------------|-----------------|

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2009

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medicaid
93.575	Childcare Development Fund - Discretionary
93.596	Childcare Development Fund - Administration

Dollar threshold used to distinguish
 between Type A and Type B Programs \$2,137,172

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
 Childcare Development Fund - Discretionary
 Childcare Development Fund - Administration

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section II - Financial Statement Findings

Finding: 09-1

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 Courthouse Project Fund (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 Courthouse Project Fund has a deficit in net assets due to overexpenditures.

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

The County could continue to increase the deficit in the Courthouse Project Fund if transfers are not made to the fund and if excess expenditures continue.

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 Courthouse 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 Courthouse Project Fund.

Finding: 09-2

MATERIAL 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 November 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.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

Section II - Financial Statement Findings

Finding: 09-3

MATERIAL DEFICIENCY

Criteria: G.S. 159-34 of the Local Government Budget and Fiscal Control Act requires each unit of local government and public authority to have its accounts audited as soon as possible after the close of each fiscal year.

Condition: The County failed to have its actuarial study related to other post employment benefits completed in a timely manner.

Effect: Submission and completion of the independent audit is late.

Cause: Lack of fulltime Finance Officer to oversee requirements to file in a timely manner.

Recommendation: The acting Finance Officer should insure that all reports are filed in a timely manner. Accounting personnel should be supervised and delegated duties to insure that all reports and actuarial studies are completed 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, 2009

Section II - Financial Statement Findings

Finding: 09-1

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. The County expects to make transfers to the Courthouse Project Fund.

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

Finding: 09-2

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.

Finding: 09-3

Name of contact person: Kevin Patterson, County Manager

Corrective Action: The Finance Officer should delegate and supervise specific task accounting personnel to prepare for the independent audit and preparation of the financial statements.

Proposed Completion Date: Immediately

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2009

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, 2009

Prior Year Financial Statements Findings

Finding 2008-1

Status: See current year finding 2009-1.

Finding 2008-2

Status: See current year finding 2009-2.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

<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>U.S. Dept. of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
Food Stamp Cluster:					
Food Stamp Program - Direct Benefit Payment	10.551	XXXX	11,869,442	-	-
State Administrative Matching Grants for the Food Stamp Program	10.561	XXXX	384,604	-	371,433
ARRA Food Stamps	10.561		4,048	-	-
Total Food Stamp Cluster			12,258,094	-	371,433
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	177,638	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	1,295,775	-	-
Total U.S. Dept. of Agriculture			13,731,507	-	371,433

**SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the Year Ended June 30, 2009

Page 2

<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>Division of Community Assistance</u>					
CDBG	14,218		<u>16,636</u>	<u>-</u>	<u>-</u>
Total NC Dept. of Commerce			<u>16,636</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Transit Capital Grant	20,509	XXXX	3,090	386	-
Administrative	20,509		86,031	5,378	-
Roap-Edtap			-	72,875	-
Roap-Work First			-	31,795	-
Roap-RGP			-	<u>71,837</u>	<u>-</u>
Total U.S. Dept. of Transportation			<u>89,121</u>	<u>182,271</u>	<u>-</u>

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

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<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>U.S. Dept. of Health & Human Services</u>					
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Foster Care and Adoption.					
Title IV-E Foster Care-Administration	93.658	XXXXX	139,826	31,959	106,169
Foster Care-Direct Benefit Payments	93.658	XXXXX	212,627	37,666	54,128
Adoption Assistance-Direct Benefit Payments	93.659	XXXXX	220,045	41,196	56,426
Total Foster Care and Adoption			572,498	110,821	216,723
Work First/TANF-Direct Benefit Payments	93.558		1,045,428	(91)	2,652
WF Funct Assess	93.558		3,027	-	-
IV-D Administration	93.563		573,218	297,262	1,968
IV-D Offset Fees	93.563		7,768	-	4,002
CSE Incentive Recovery	93.563	XXXXX	9,807	(297,262)	302,314
Low-Income Home Energy Assistance Block Grant: Administration	93.568	XXXXX	37,174	-	-
Energy Assistance Payments-Direct Benefit Payments	93.568	XXXXX	374,568	-	-
Crisis Intervention Program	93.568	XXXXX	316,654	-	-
Child Welfare Services - State Grants					
- Permanency Planning	93.645	XXXXX	10,393	2,671	793
Independent Living - Transitional Grant	93.674	XXXXX	2,745	-	-
Transitional Funds	93.674		7,127	1,782	-
Family Preservation	93.556		1,093	-	-
TANF Domestic Violence	93.558		18,954	-	-
TANF Foster Care	93.558		29,714	-	1,865
Work First Admin	93.558		101,484	-	140,084
Work First Demonstration Grant	93.558		106,883	-	-
Work First Service	93.558		593,933	-	558,031

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

Page 4

<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>
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG - Other Services TRNG	93.667		201,188	20,923	74,037
SSBG - State In Home Service Fund	93.667	XXXX	14,130	-	2,019
SSBG - State Adult Day Care	93.667	XXXX	28,566	15,149	9,847
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	80,000	-	-
Division of Child Development:					
Child Care and Development Fund - Discretionary	93.575	XXXX	826,326	-	-
Child Care and Development Fund - Mandatory	93.596	XXXX	303,771	-	-
Child Care and Development Fund - Match	93.596	XXXX	401,843	220,845	-
Total Child Care Development Fund Cluster			1,611,940	220,845	-
Social Services Block Grant	93.667	XXXX	8,987	-	-
TANF	93.558	XXXX	353,427	-	-
TANF-MOE		XXXX	-	12,298	-
State Appropriations		XXXX	-	120,716	-
Total Subsidized Child Care (Note 2)			1,974,354	353,859	-
<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	50,471,410	20,501,631	1,532,065
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	630,212	56,357	558,753
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	25,431	2,136	6,288

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2009
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<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>Health Resources and Services Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Family Planning Services	93.217		63,448	-	-
Immunization Program/Aid to County Funding	93.268	XXXX	30,476	-	-
TANF	93.558		9,283	-	-
Maternal and Child Health Services Block Grant	93.994		<u>144,874</u>	-	-
Total U.S. Dept. of Health and Human Services			<u>57,405,840</u>	<u>21,065,238</u>	<u>3,411,441</u>
Total Federal Awards			<u>71,243,104</u>	<u>21,247,509</u>	<u>3,782,874</u>
 <u>State Awards:</u>					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library					
State Aid to Public Libraries		XXXX	-	<u>120,004</u>	<u>313,440</u>
Total N.C. Dept. of Cultural Resources			-	<u>120,004</u>	<u>313,440</u>

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2009

Page 6

<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>
N.C. Dept. of Health and Human Services					
Division of Aging and Adult Services					
Division of Social Services					
State/County Special Assistance for Adults - Domiciliary Care		XXXX	-	453,811	453,811
Division of Social Services:					
CWS Adopt Subsidy & Vendor			-	182,110	32,185
State Foster Home			-	80,121	80,121
SFHF Maximization			-	2,434	2,434
F/C at Risk Maximization			-	25,124	4,650
DCD Smart Start		XXXX	-	16,000	-
AFDC Incentive			-	187	-
State Aid to Counties			-	33,709	-
TANF Incent/Prog Integrity			-	2,988	-
Energy Assist Private Grants		XXXX	-	2,489	-
Total Division of Social Services			-	798,973	573,201
Division of Public Health					
General		XXXX	-	104,455	-
Communicable Disease			-	7,855	-
Tuberculosis			-	13,023	-
AIDS			-	500	-
Maternal Health			-	1,966	-
Womens Preventive Health			-	5,082	-
Healthy Carolinas Partnership Support			-	5,727	-
TB Medical Services			-	1,529	-
Preparedness and Response			-	25,773	-
Total Division of Public Health			-	165,910	-

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2009
 Page 7

<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>Dept. of Juvenile Justice and Delinquency Prevention</u> Juvenile Crime Prevention Programs		XXXX	-	219,121	-
<u>N.C. Dept. of Transportation</u> Rural Operating Assistance Program (ROAP) - ROAP Elderly and Disabled Transportation Assistance Program - ROAP Rural General Public Program - ROAP Work First Transitional - Employment Transportation Assistance Program Total ROAP		XXXX XXXX XXXX	- - -	72,875 71,837 31,795 176,507	- - - -
<u>N.C. Dept. of Corrections</u> Criminal Justice Partnership Program Total State Awards Total Federal and State Awards		XXXX	- - -	156,178 1,636,693 22,884,202	- 886,641 4,669,515
			<u>71,243,104</u>	<u>22,884,202</u>	<u>4,669,515</u>

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2009

Page 8

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

1. Basis of Presentation
The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Scotland County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.
2. The following are clustered by the N.C. Department of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care, Foster Care and Adoption.

3. Subrecipients

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

<u>Program Title</u>	<u>State Expenditures</u>
Juvenile Family Alternatives	27,390
Scots for Youth	169,082

