

Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2010

SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

J. D. Willis, Chairman

Betty B. Gholston, Vice Chairperson

John T. Alford, Commissioner

Guy McCook, Commissioner

Bob Davis, Commissioner

Joyce McDow, Commissioner

Clarence McPhatter, II, Commissioner

COUNTY OFFICIALS

Ann W. Kurtzman, Clerk to Board

Kevin G. Patterson, County Manager

Scotland County, North Carolina
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June 30, 2010

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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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Scotland County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Scotland County ABC Board, which represents 34.39 percent, 24.42 percent and 95.71 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, 2010, 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 December 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

December 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, 2010. 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

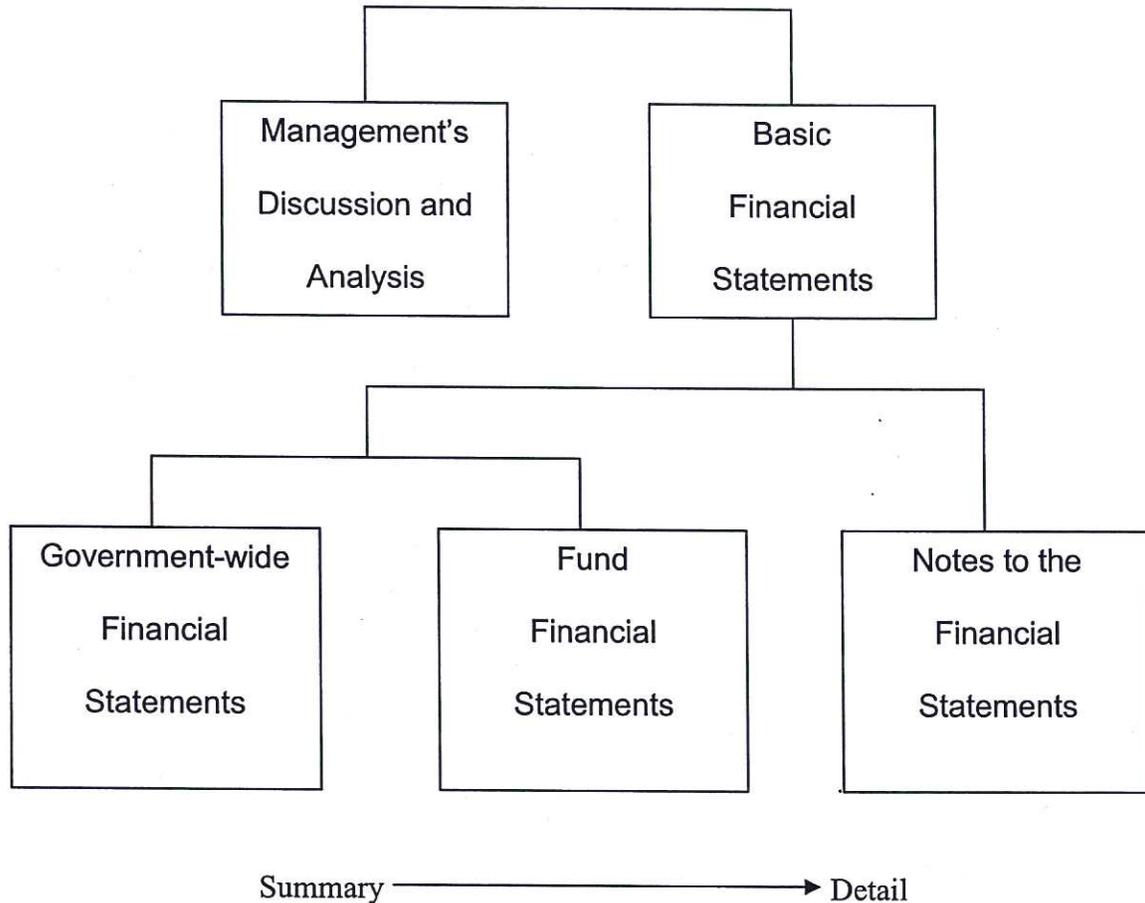
- The assets of Scotland County exceeded its liabilities at the close of the fiscal year by \$10,016,684 (*net assets, exhibit 1*).
- The government's total net assets decreased by \$1,951,904 primarily due to decrease in government type activities net assets.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$9,567,566 (*exhibit 3*) a decrease of \$3,497,396 in comparison with the prior year. Approximately 35.65 percent of this total amount, or \$3,410,480, 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 \$1,474,083 or 3.6 percent of total General Fund expenditures for the fiscal year.
- Scotland County maintained its Aaa bond rating.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Scotland County exceeded liabilities by \$10,016,684 as of June 30, 2010. The County's net assets decreased by \$1,951,904 (exhibit 2) for the fiscal year ended June 30, 2010. 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 8% (Exhibit 1) is unrestricted.

Scotland County's Net Assets

Figure 2

	SCOTLAND COUNTY'S NET ASSETS					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 14,499,803	\$ 17,368,766	\$ 913,526	\$ 787,060	\$ 15,413,329	\$ 18,155,826
Capital assets	7,573,354	7,326,762	10,069,606	10,169,895	17,743,249	17,496,657
Total assets	\$ 22,073,157	\$ 24,695,528	\$ 10,983,132	\$ 10,956,955	\$ 33,056,289	\$ 35,652,483
Long-term liabilities outstanding	\$ 11,607,370	\$ 13,334,336	\$ 8,388,625	\$ 8,323,495	\$ 19,995,995	\$ 21,657,831
Other liabilities	2,749,582	1,913,710	294,028	112,354	3,043,610	2,026,064
Total liabilities	\$ 14,356,952	\$ 15,248,046	\$ 8,682,653	\$ 8,435,849	\$ 23,039,605	\$ 23,683,895
Net assets:						
Invested in capital assets, net of related debt	\$ 6,092,155	\$ 5,403,719	\$ 3,123,606	\$ 3,359,395	\$ 9,215,761	\$ 8,763,114
Restricted	-	2,275,088	-	-	-	2,275,088
Unrestricted	1,624,050	1,768,675	(823,127)	(838,289)	800,923	930,386
Total net assets	\$ 7,716,205	\$ 9,447,482	\$ 2,300,479	\$ 2,521,106	\$ 10,016,684	\$ 11,968,588

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 92.11% 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 2,749,588	\$ 3,316,132	\$ 2,854,346	\$ 2,676,711	\$ 5,603,934	\$ 5,992,843
Operating grants and contributions	10,019,365	9,761,080	-	-	10,019,365	9,761,080
General revenues:						
Property taxes	19,586,798	19,855,736	-	-	19,586,798	19,855,736
Local option sales tax	5,758,104	8,398,883	-	-	5,758,104	8,398,883
Other taxes	394,663	478,314	-	-	394,663	478,314
Interest investment earnings	49,539	260,704	-	-	49,539	260,704
Other	777,656	184,116	-	-	777,656	184,116
Total revenues	\$ 39,335,713	\$ 42,254,965	\$ 2,854,346	\$ 2,676,711	\$ 42,190,059	\$ 44,931,676
Expenses:						
General government	3,918,279	3,998,110	-	-	3,918,279	3,998,110
Public safety	7,538,392	7,495,732	-	-	7,538,392	7,495,732
Economic and physical development	1,554,525	782,287	-	-	1,554,525	782,287
Human services	12,701,607	14,866,191	-	-	12,701,607	14,866,191
Cultural and recreation	1,069,432	1,099,758	-	-	1,069,432	1,099,758
Other expenditures	305,099	196,407	-	-	305,099	196,407
Education	13,092,400	12,837,873	-	-	13,092,400	12,837,873
Revaluation	203,327	157,045	-	-	203,327	157,045
Interest on long-term debt	683,929	636,177	-	-	683,929	636,177
Solid waste	-	-	1,933,184	2,066,092	1,933,184	2,066,092
Water district I	-	-	527,135	613,513	527,135	613,513
Water district II	-	-	614,654	578,027	614,654	578,027
Total expenses	\$ 41,066,990	\$ 42,069,580	\$ 3,074,973	\$ 3,257,632	\$ 44,141,963	\$ 45,327,212
Increase (decrease) in net assets						
before transfers	(1,731,277)	185,385	(220,627)	(580,921)	(1,951,904)	(395,536)
Transfers	-	96,715	-	-	-	96,715
Increase (decrease) in net assets	(1,731,277)	282,100	(220,627)	(580,921)	(1,951,904)	(298,821)
Net assets, July 1	9,447,482	9,165,382	2,521,107	3,102,028	11,968,569	12,267,410
Net assets, June 30	\$ 7,716,205	\$ 9,447,482	\$ 2,300,480	\$ 2,521,107	\$ 10,016,665	\$ 11,968,589

Governmental activities. Governmental activities decreased the County's net assets by \$(1,731,277). The decrease was due to less sales tax, other taxes and interest revenue.

Business-type activities: Business-type activities decreased Scotland County's net assets by \$(220,627). The Proprietary Funds had a decrease in net assets primarily due to depreciation in the Water District I, Water District II and 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 \$1,474,083, while total fund balance reached \$7,426,601. 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 3.6 percent of total General Fund expenditures, while total fund balance represents 18.08 percent of that same amount.

At June 30, 2010, the governmental funds of Scotland County reported a combined fund balance of \$9,567,566 a 27 percent decrease over last year. The primary reason for this decrease is a substantial decrease in sales tax collections.

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

1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund decreased revenues by \$367.

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 \$(1,639,187), and those for the Water District I Fund equaled \$834,731, and those for the Water District II Fund equaled \$(18,671). The total change in net assets for these Funds was \$(166,314), \$54,541 and \$(108,854), respectively.

Capital Asset and Debt Administration

Capital assets. Scotland County's capital assets for its governmental and business-type activities as of June 30, 2010 totals \$17,642,960 (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
- Construction in progress for the Wagram Recreation Center
- Purchase of equipment for the landfill

Scotland County's Capital Assets
Figure 4

SCOTLAND COUNTY'S CAPITAL ASSETS
(net of depreciation)

	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2010	2009
	2010	2009	2010	2009	2010	2009
Land	\$ 1,313,332	\$ 1,313,332	\$ 239,684	\$ 239,684	\$ 1,553,016	\$ 1,553,016
Buildings and system	5,025,547	5,165,907	9,408,791	9,725,680	14,434,338	14,891,587
Machinery and equipment	102,609	154,983	302,631	78,335	405,240	233,318
Vehicles and motorized equipment	734,445	692,540	118,500	126,196	852,945	818,736
Construction in progress	<u>397,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,421</u>	<u>-</u>
Total	<u>\$ 7,573,354</u>	<u>\$ 7,326,762</u>	<u>\$ 10,069,606</u>	<u>\$ 10,169,895</u>	<u>\$ 17,642,960</u>	<u>\$ 17,496,657</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, 2010 Scotland County had total bonded debt outstanding of \$16,511,000 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	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 9,805,000	\$10,608,000	\$6,706,000	\$6,810,500	\$16,511,000	\$ 17,418,500
Installment purchases	1,481,199	1,923,043	240,000	-	1,721,199	1,923,043
Total	\$11,286,199	\$12,531,043	\$6,946,000	\$6,810,500	\$18,232,199	\$ 19,341,543

Scotland County's total debt decreased by \$1,109,344 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 \$134,019,558.

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

Economic Factors and Next Year's Budgets and Rates

- The County's unemployment rate is one of the highest in the state at 14.8% which is well above the state average.
- 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, 2011

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

A reduction in expenditures is expected to offset lower sales tax revenues. Education expenditures are expected to remain flat.

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, 2010

	Primary Government				Scotland County Historic Properties Commission
	Governmental Activities	Business- type Activities	Total	Scotland County ABC Board	
Assets					
Cash and cash equivalents	8,660,013	508,584	9,168,597	74,671	72,977
Inventory	-	-	-	211,268	-
Receivables (net):					
Taxes	3,848,023	-	3,848,023	-	-
Accounts	292,838	522,226	815,064	-	-
Due from other governments	1,427,392	-	1,427,392	-	-
Due (to) from other funds	117,284	(117,284)	-	-	-
Prepaid expenses	150,253	-	150,253	1,497	-
Deferred charge - bond issuance cost	4,000	-	4,000	-	-
Capital assets:					
Land, improvements and construction in progress	1,710,753	239,684	1,950,437	19,000	195,000
Other capital assets, net of depreciation	5,862,601	9,829,922	15,692,523	70,055	450,375
Total capital assets	7,573,354	10,069,606	17,642,960	89,055	645,375
Total assets	22,073,157	10,983,132	33,056,289	376,491	718,352
Liabilities					
Accounts payable and accrued liabilities	987,440	108,285	1,095,725	144,360	-
Unearned revenues	92,773	-	92,773	-	-
Long-term liabilities:					
Due within one year	1,669,369	185,743	1,855,112	-	-
Due in more than one year	11,607,370	8,388,625	19,995,995	-	-
Total long-term liabilities	13,276,739	8,574,368	21,851,107	-	-
Total liabilities	14,356,952	8,682,653	23,039,605	144,360	-
Net assets					
Invested in capital assets, net of related debt	6,092,155	3,123,606	9,215,761	89,055	645,375
Restricted for:					
Working capital	-	-	-	49,954	-
Projects	-	-	-	-	29,609
Unrestricted	1,624,050	(823,127)	800,923	93,122	43,368
Total net assets	7,716,205	2,300,479	10,016,684	232,131	718,352

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, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Scotland County Historic Properties Commission	
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		Scotland
									County ABC Board
Primary government:									
Governmental activities:									
General government	3,918,279	756,903	-	-	(3,161,376)	-	(3,161,376)	-	
Public safety	7,538,392	1,195,157	-	-	(6,343,235)	-	(6,343,235)	-	
Economic and physical development	1,554,525	-	282,249	-	(1,272,276)	-	(1,272,276)	-	
Human services	12,701,607	68,782	9,737,116	-	(2,895,709)	-	(2,895,709)	-	
Cultural and recreational	1,069,432	148,930	-	-	(920,502)	-	(920,502)	-	
Other expenditures	305,099	-	-	-	(305,099)	-	(305,099)	-	
Intergovernmental:									
Education	13,092,400	579,816	-	-	(12,512,584)	-	(12,512,584)	-	
Revaluation	203,327	-	-	-	(203,327)	-	(203,327)	-	
Interest on long-term debt	683,929	-	-	-	(683,929)	-	(683,929)	-	
Total governmental activities	41,066,990	2,749,588	10,019,365	-	(28,298,037)	-	(28,298,037)	-	
Business-type activities:									
Public Works	1,933,184	1,766,870	-	-	-	(166,314)	(166,314)	-	
Water District Phase I	527,135	581,676	-	-	-	54,541	54,541	-	
Water District Phase II	614,654	505,800	-	-	-	(108,854)	(108,854)	-	
	3,074,973	2,854,346	-	-	-	(220,627)	(220,627)	-	
Component units:									
ABC Board	1,317,203	1,309,390	-	-	-	-	-	(7,813)	
Historic Properties	48,724	-	48,723	10,000	-	-	-	9,999	
Total component units	1,365,927	1,309,390	48,723	10,000	-	-	(7,813)	9,999	

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, 2010

	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				
	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission
General revenues:					
Taxes:					
Property taxes, levied for general purpose	19,586,798	-	19,586,798	-	-
Local option sales tax	5,758,104	-	5,758,104	-	-
Other taxes and licenses	394,663	-	394,663	-	-
Investment earnings, unrestricted	49,539	-	49,539	121	-
Miscellaneous, unrestricted	777,656	-	777,656	-	15,335
Total general revenues, special items, and transfers	26,566,760	-	26,566,760	121	15,335
Change in net assets	(1,731,277)	(220,627)	(1,951,904)	(7,692)	25,334
Net assets-beginning	9,447,482	2,521,107	11,968,589	239,823	693,018
Net assets-ending	7,716,205	2,300,479	10,016,684	232,131	718,352

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, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	4,781,526	3,878,487	8,660,013
Receivables (net)			
Taxes	3,848,023	-	3,848,023
Accounts	292,838	1,032	293,870
Prepaid expense	149,218	-	149,218
Due from other governments	1,427,393	-	1,427,393
Due (to) from other funds	1,848,768	(1,731,484)	117,284
Total assets	12,347,766	2,148,035	14,495,801
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	980,370	7,070	987,440
Deferred revenues	3,848,023	-	3,848,023
Unearned revenue	92,772	-	92,772
Total liabilities	4,921,165	7,070	4,928,235
Fund balances:			
Reserved for:			
State statute	3,718,217	-	3,718,217
Designated for:			
Education	1,950,580	-	1,950,580
Banking and insurance	283,721	-	283,721
Unreserved undesignated	1,474,083	1,936,397	3,410,480
Capital projects fund	-	204,568	204,568
Total fund balances	7,426,601	2,140,965	9,567,566
Total liabilities and fund balances	12,347,766	2,148,035	

Fund Balance available for appropriation:
 3,718,217 + 1,950,580 + 283,721 = 5,952,518
 9.03% = 41,082,628
 1,474,083 ✓

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.	7,573,354
Liabilities for earned but deferred revenues in fund statements.	3,848,023
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.	(13,272,738)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	7,716,205

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, 2010

	General Fund	Other Governmental Funds	Total
Revenues:			
Ad valorem taxes	18,959,631	210,763	19,170,394
Local option sales taxes	5,696,744	61,360	5,758,104
Other taxes and licenses	97,739	269,373	367,112
Unrestricted intergovernmental	130,472	-	130,472
Restricted intergovernmental	10,405,799	453,212	10,859,011
Permits and fees	327,353	-	327,353
Sales and services	1,313,914	-	1,313,914
Investment earnings	45,871	3,668	49,539
Fines, forfeitures	429,550	-	429,550
Miscellaneous	515,609	-	515,609
Total revenues	37,922,681	998,376	38,921,057
Expenditures:			
General government	2,150,569	-	2,150,569
Public safety	7,158,510	379,263	7,537,773
Economic & physical development	1,263,706	355,904	1,619,610
Central service	1,527,711	-	1,527,711
Human services	12,586,427	-	12,586,427
Cultural and recreational	1,069,432	397,421	1,466,853
Other expenditures	305,099	-	305,099
Education	13,092,400	-	13,092,400
Revaluation	-	203,237	203,237
Debt service:			
Principal retirement	1,244,845	-	1,244,845
Interest	683,929	-	683,929
Total expenditures	41,082,628	1,335,825	42,418,453
Excess of revenues (under) expenditures	(3,159,947)	(337,449)	(3,497,396)
Other financing sources (uses):			
Transfers (to) from other funds	(100,000)	100,000	-
Total other financing sources (uses)	(100,000)	100,000	-
Net change in fund balance	(3,259,947)	(237,449)	(3,497,396)
Fund balances-beginning	10,686,548	2,378,414	13,064,962
Fund balances-ending	<u>7,426,601</u>	<u>2,140,965</u>	<u>9,567,566</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, 2010

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

Net changes in fund balances - total governmental funds	(3,497,396)
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.	246,592
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	416,404
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,244,845
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(141,722)</u>
Total changes in net assets of governmental activities	<u><u>(1,731,277)</u></u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	20,354,225	20,353,858	18,959,631	(1,394,227)
Local option sales taxes	6,803,760	6,803,760	5,696,744	(1,107,016)
Other taxes and licenses	149,000	149,000	97,739	(51,261)
Unrestricted intergovernmental	200,000	200,000	130,472	(69,528)
Restricted intergovernmental	11,838,947	11,838,947	10,405,799	(1,433,148)
Permits and fees	366,330	366,330	327,353	(38,977)
Sales and services	1,207,580	1,207,580	1,313,914	106,334
Investment earnings	400,000	400,000	45,871	(354,129)
Fines, forfeitures	400,000	400,000	429,550	29,550
Miscellaneous	333,630	333,630	515,609	181,979
Total revenues	42,053,472	42,053,105	37,922,681	(4,130,424)
Expenditures:				
General government	2,303,338	2,302,678	2,150,569	152,109
Public safety	7,297,679	7,494,458	7,158,510	335,948
Economic and physical development	1,514,088	1,547,394	1,263,706	283,688
Central services	1,789,937	1,691,837	1,527,711	164,126
Human services	13,118,123	13,838,018	12,586,427	1,251,591
Cultural and recreational	1,234,009	1,238,765	1,069,432	169,333
Other expenditures	248,340	306,325	305,099	1,226
Intergovernmental:				
Education	12,435,652	13,101,780	13,092,400	9,380
Debt service:				
Principal retirement	1,328,377	1,328,377	1,244,845	83,532
Interest	683,929	683,929	683,929	-
Total expenditures	41,953,472	43,533,561	41,082,628	2,450,933
Excess of revenues over (under) expenditures	100,000	(1,480,456)	(3,159,947)	(1,679,491)
Other financing sources (uses):				
Transfers (to) other funds	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	(100,000)	(100,000)	(100,000)	-
Appropriated fund balance	-	1,580,456	-	(1,580,456)
Net change in fund balance	-	-	(3,259,947)	(3,259,947)
Fund balances - beginning			10,686,548	
Fund balances - ending			<u>7,426,601</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, 2010

	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	2,574	506,010	-	508,584
Accounts receivable, net	167,722	184,949	169,555	522,226
Due (to) from other funds	-	173,111	(173,111)	-
Total current assets	170,296	864,070	(3,556)	1,030,810
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	239,684	-	-	239,684
Other capital assets, net of depreciation	555,137	2,966,951	6,307,834	9,829,922
Total capital assets	794,821	2,966,951	6,307,834	10,069,606
Total assets	965,117	3,831,021	6,304,278	11,100,416
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	68,436	24,734	15,115	108,285
General obligation bonds payable	-	37,000	71,000	108,000
Installment financing notes payable	77,743	-	-	77,743
Due to other funds	117,284	-	-	117,284
Total current liabilities	263,463	61,734	86,115	411,312
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	1,549,033	-	-	1,549,033
Other post employment benefits	44,143	-	-	44,143
Compensated absences payable	30,587	4,605	-	35,192
General obligation bonds payable	-	1,790,500	4,807,500	6,598,000
Installment financing notes payable	162,257	-	-	162,257
Total noncurrent liabilities	1,786,020	1,795,105	4,807,500	8,388,625
Total liabilities	2,049,483	1,856,839	4,893,615	8,799,937
NET ASSETS				
Invested in capital assets, net of related debt	554,821	1,139,451	1,429,334	3,123,606
Unrestricted	(1,639,187)	834,731	(18,671)	(823,127)
Total net assets	(1,084,366)	1,974,182	1,410,663	2,300,479

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, 2010

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
Operating revenues:				
Charges for services	1,600,255	572,993	495,280	2,668,528
Water taps	-	8,683	10,520	19,203
Other operating revenues	<u>166,615</u>	-	-	<u>166,615</u>
Total operating revenues	1,766,870	581,676	505,800	2,854,346
Operating expenses:				
Water purchases	-	141,808	126,859	268,667
Water operations	-	181,269	93,790	275,059
Landfill operations	1,760,202	-	-	1,760,202
Landfill closure and postclosure care costs	97,963	-	-	97,963
Depreciation	<u>75,019</u>	<u>113,236</u>	<u>183,736</u>	<u>371,991</u>
Total operating expenses	1,933,184	436,313	404,385	2,773,882
Operating income (loss)	(166,314)	145,363	101,415	80,464
Nonoperating (expenses):				
Interest	-	(90,822)	(210,269)	(301,091)
Total nonoperating (expenses)	-	(90,822)	(210,269)	(301,091)
Income (loss) before transfers	(166,314)	54,541	(108,854)	(220,627)
Change in net assets	(166,314)	54,541	(108,854)	(220,627)
Total net assets - beginning	<u>(918,052)</u>	<u>1,919,641</u>	<u>1,519,517</u>	<u>2,521,106</u>
Total net assets - ending	<u>(1,084,366)</u>	<u>1,974,182</u>	<u>1,410,663</u>	<u>2,300,479</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, 2010

	Business-type Activities Enterprise Funds			Totals June 30, 2010
	Public Works Fund	Water District Phase I Fund	Water District Phase II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	1,760,136	554,160	485,321	2,799,617
Cash paid for goods and services	(1,269,081)	(228,386)	(205,534)	(1,703,001)
Cash paid to or on behalf of employees for services	(522,025)	(70,166)	-	(592,191)
Net cash provided by (used in) operating activities	(30,970)	255,608	279,787	504,425
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase (decrease) in due to (from) other funds	65,076	52,726	(518)	117,284
Total cash flows provided by (used in) financing activities	65,076	52,726	(518)	117,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Installment note issued	240,000	-	-	240,000
Acquisition and construction of capital assets	(271,702)	-	-	(271,702)
Interest paid on bond maturities	-	(90,822)	(210,269)	(301,091)
Principal paid on bond maturities	-	(35,500)	(69,000)	(104,500)
Net cash (used in) capital and related financing activities	(31,702)	(126,322)	(279,269)	(437,293)
Net increase in cash and cash equivalents	2,404	182,012	-	184,416
Balances - beginning of the year	170	323,998	-	324,168
Balances - end of the year	2,574	506,010	-	508,584

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, 2010

	Business-type Activities			Totals June 30, 2010
	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)	(166,314)	145,363	101,415	80,464
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	75,019	113,236	183,736	371,991
Changes in assets and liabilities:				
(Increase) in accounts receivable	(6,734)	(32,121)	(20,479)	(59,334)
Increase in accounts payable and accrued liabilities	54,254	24,525	15,115	93,894
Increase in accrued vacation pay	8,075	4,605	-	12,680
Increase in OPEB payable	4,730	-	-	4,730
Total adjustment	135,344	110,245	178,372	423,961
Net cash provided by (used in) operating activities	<u>(30,970)</u>	<u>255,608</u>	<u>279,787</u>	<u>504,425</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, 2010

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>729,487</u>
Liabilities	
Miscellaneous liabilities	<u>729,487</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, 2010

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

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

The County reports the following major governmental fund:

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

The County reports the following major enterprise funds:

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

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

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

The County reports the following fund types:

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

Measurement Focus, Basis of Accounting

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

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

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

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Scotland County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2009 through February 2010 apply to the fiscal year ended June 30, 2010. 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 2010-2011 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 \$1,851,361 consists of several elements as follows:

Fixed assets	17,001,000
Less accumulated depreciation	<u>(9,427,646)</u>
Net capital assets	\$ 7,573,354

Deferred charges related to bond issuance cost included on government-wide statements of net assets but are not a current financial source of funds	4,000
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Liabilities for revenue deferred but earned and therefore reported in the fund statements but not the government-wide	3,848,023
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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	(11,286,199)
Compensated absences	(845,850)
Net pension obligation	(31,648)
Other post-employment benefits	(1,113,041)
	<u>(13,276,738)</u>
Total adjustment	\$ <u>(1,851,361)</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 \$1,766,119 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities	\$ 876,861
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.	(630,269)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements.	1,244,845
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	(32,263)
Other postemployment benefits	(105,959)
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	413,404
Total adjustment	<u>\$ 1,766,119</u>

II. Stewardship, Compliance, and Accountability

A. Deficit in Net Assets

The Public Works Fund has negative Net Assets as of June 30, 2010 in the amount of \$1,084,366. 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 2010-1 in the Schedule of Findings and Questioned Costs).

B. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The Semiannual Report of Deposits and Investments (LGC 203) for the period ended June 30, 2010 was not filed by July 25, 2010 in accordance with G.S. 159-33 and 33.1. The failure to file the form in a timely manner is considered a statutory violation. (See significant deficiency 2010-2 in the Schedule of Findings and Questioned Costs).

C. 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 2010-3 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, 2010, the County's deposits had a carrying amount of \$4,414,639 and a bank balance of \$4,709,045. Of the bank balance \$500,000 was covered by federal depository insurance, and \$325,000 in non-interest bearing deposits and \$3,884,045 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2010, Scotland County had \$3,000 cash on hand.

At June 30, 2010, the carrying amount of deposits for Scotland County ABC Board was \$74,761 and the bank balance was \$92,978. All of the bank balance was covered by federal depository insurance.

At June 30, 2010, the carrying amount of deposits for Scotland County Historic Properties Commission was \$72,977 and the bank balance was \$72,917. 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, 2010, the County's investments consisted of \$5,480,445 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The County has no policy on credit risk.

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

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

Year Levied	Tax	Interest	Total
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	666,082	38,300	704,382
2010	666,666	38,333	704,999
Total	<u>4,677,298</u>	<u>648,470</u>	<u>5,325,768</u>

4. Receivables

Receivables at the government-wide level at June 30, 2010, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from Other Funds/ Governments	Total
Governmental activities:				
General	\$ 292,838	\$ 4,050,551	\$ 1,544,676	\$ 5,888,065
Total receivables	292,838	4,050,551	1,544,676	\$ 5,888,065
Allowance for doubtful accounts	-	(202,528)	-	\$ (202,528)
Total - governmental activities	<u>\$ 292,838</u>	<u>\$ 3,848,023</u>	<u>\$ 1,544,676</u>	<u>\$ 5,685,537</u>
Business-type activities:				
Public works	\$ 167,722	\$ -	\$ -	\$ 167,722
Water district I	184,949	-	-	\$ 184,949
Water district II	169,555	-	-	\$ 169,555
Total - business-type activities	<u>\$ 522,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,226</u>

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

Local option sales tax/sales tax refunds	\$ 796,567
DSS reimbursements	\$ 630,826
Due from enterprise funds	\$ 117,284
Total	<u>\$ 1,544,677</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2010, 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	-	397,421	-	\$ 397,421
Total capital assets not being depreciated	<u>1,313,332</u>	<u>397,421</u>	<u>-</u>	<u>\$ 1,710,753</u>
Capital assets being depreciated:				
Buildings	8,862,044	-	-	\$ 8,862,044
Equipment	1,182,632	96,576	-	\$ 1,279,208
Vehicles and motor equipment	5,016,045	382,864	249,914	\$ 5,148,995
Total capital assets being depreciated	<u>15,060,721</u>	<u>479,440</u>	<u>249,914</u>	<u>\$ 15,290,247</u>
Less accumulated depreciation for:				
Buildings	3,696,137	140,360	-	\$ 3,836,497
Equipment	1,027,649	148,950	-	\$ 1,176,599
Vehicles and motor equipment	4,323,505	340,959	249,914	\$ 4,414,550
Total accumulated depreciation	<u>9,047,291</u>	<u>630,269</u>	<u>249,914</u>	<u>9,427,646</u>
Total capital assets being depreciated, net	<u>6,013,430</u>			<u>5,862,601</u>
Governmental activity capital assets, net	<u>\$ 7,326,762</u>			<u>7,573,354</u>

Primary Government

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

General government	\$ 155,032
Public safety	246,003
Central service	70,137
Human services	159,097
Total depreciation expense	<u>\$ 630,269</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	252,760	-	\$ 1,764,906
Vehicles	694,056	18,942	-	\$ 712,998
Total capital assets being depreciated	<u>3,368,205</u>	<u>271,702</u>	<u>-</u>	<u>\$ 3,639,907</u>
Less accumulated depreciation for:				
Buildings	747,842	19,917	-	\$ 767,759
Improvements	260,238	-	-	\$ 260,238
Furniture and maintenance equipment	1,433,811	28,464	-	\$ 1,462,275
Vehicles	567,860	26,638	-	\$ 594,498
Total accumulated depreciation	<u>3,009,751</u>	<u>75,019</u>	<u>-</u>	<u>\$ 3,084,770</u>
Total capital assets being depreciated, net	<u>358,454</u>			<u>\$ 555,137</u>
Landfill capital assets, net	<u>598,138</u>			<u>\$ 794,821</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	4,529,450	-	-	4,529,450
Total capital assets being depreciated	<u>4,529,450</u>	<u>-</u>	<u>-</u>	<u>4,529,450</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,449,263	113,236	-	1,562,499
Total accumulated depreciation	<u>1,449,263</u>	<u>113,236</u>	<u>-</u>	<u>1,562,499</u>
Total capital assets being depreciated, net	<u>3,080,187</u>			<u>2,966,951</u>
Scotland County Water District I capital assets, net	<u>3,080,187</u>			<u>2,966,951</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	7,349,440	-	-	7,349,440
Total capital assets being depreciated	<u>7,349,440</u>	<u>-</u>	<u>-</u>	<u>7,349,440</u>
Less accumulated depreciation for:				
Plant and distribution systems	857,870	183,736	-	1,041,606
Total accumulated depreciation	<u>857,870</u>	<u>183,736</u>	<u>-</u>	<u>1,041,606</u>
Total capital assets being depreciated, net	<u>6,491,570</u>			<u>6,307,834</u>
Scotland County Water District II capital assets, net	<u>6,491,570</u>			<u>6,307,834</u>
Business-type activities capital assets, net	<u>10,169,895</u>			<u>10,069,606</u>

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	185,417	1,966	-	187,383
Furniture and equipment	<u>76,291</u>	<u>7,113</u>	<u>11,292</u>	<u>72,112</u>
Total capital assets being depreciated	<u>261,708</u>	<u>9,079</u>	<u>11,292</u>	<u>259,495</u>
Total accumulated depreciation	<u>190,218</u>	<u>10,636</u>	<u>11,414</u>	<u>189,440</u>
ABC capital assets, net	<u>\$ 90,490</u>			<u>89,055</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 195,000	\$ -	\$ -	\$ 195,000
Capital assets being depreciated:				
Buildings	441,901	10,788	-	452,689
Furniture and equipment	<u>225,198</u>	<u>-</u>	<u>-</u>	<u>225,198</u>
Total capital assets being depreciated	<u>667,099</u>	<u>10,788</u>	<u>-</u>	<u>677,887</u>
Less accumulated depreciation	<u>204,678</u>	<u>22,834</u>	<u>-</u>	<u>227,512</u>
Commission capital assets, net	<u>\$ 657,421</u>			<u>645,375</u>

B. Liabilities

1. Payables & Accrued Liabilities

Payables at the government-wide level at June 30, 2010 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	319,170	661,200	-	980,370
Other governmental	<u>7,070</u>	<u>-</u>	<u>-</u>	<u>7,070</u>
Total - governmental activities	<u>326,240</u>	<u>661,200</u>	<u>-</u>	<u>987,440</u>
Business-type activities:				
Public works	44,303	24,133	-	68,436
Water and sewer districts	<u>39,849</u>	<u>-</u>	<u>-</u>	<u>39,849</u>
Total - business-type activities	<u>84,152</u>	<u>24,133</u>	<u>-</u>	<u>108,285</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 4.90%, 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, 2010, 2009 and 2008 were \$470,502, \$457,467, and \$490,990, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2010, 2009 and 2008 were \$24,397, \$23,203 and \$22,061, 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, 2009, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>43</u>
Total	<u>49</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 \$62,993, or 3.75% of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.5% to 12.3% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 22 years.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending 06-30-2010

(a) Employer annual required contribution	51,530
(b) Interest on net pension obligation	3,096
(c) Adjustment to annual required contribution	(2,690)
(d) Annual pension cost (a) + (b) + (c)	51,936
(e) Employer contributions made for fiscal year ending 06-30-2010	62,993
(f) (Decrease) in net pension obligation (d) – (e)	(11,057)
(g) Net pension obligation beginning of fiscal year	42,705
(h) Net pension obligation end of fiscal year (f) + (g)	31,648

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	51,498	136.22%	46,407
2009	52,647	107.03%	42,705
2010	51,936	121.29%	31,648

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, 2010 were \$129,766, which consisted of \$75,171 from the County and \$54,595 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, 2010, 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, 2010 were \$552,695, which consisted of \$293,034 from the County and \$259,661 from the employees. The County's contributions and the employees' voluntary contributions represented 3.64 percent and 3.33 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, 2010, the County's required and actual contributions were \$2,259.

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, 2009, the date of the latest actuarial valuation:

Active Members	
Law enforcement officers	35
General employees	248
Retired members	<u>72</u>
Total	<u>355</u>

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

The current ARC rate is 4.49% of annual covered payroll. For the current year the County contributed \$340,468 or 2.91% of annual covered payroll. The County obtains healthcare coverage through private insurers. The County's required contributions, under a Board resolution, for employees represented 18% of covered payroll. There were no contributions made by employees, except for dependent coverage in the amount of \$202,445.

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 2010 is as follows:

Annual required contribution	466,820
Interest on net OPEB obligation	45,461
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	512,281
Contributions made	388,297
Increase in net OPEB obligation	123,984
Net OPEB obligation, beginning of year	1,033,200
Net OPEB obligation, end of year	1,157,184

For Year End June 30,	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
2009	1,346,537	23.27%	1,033,200
2010	512,281	73.44%	1,157,184

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 \$9,41,098, 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, 2010, the County made contributions to the State for death benefits of \$15,029. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

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

State and federal laws and regulations require the County to place a final cover on its Patterson Road Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,549,033 reported as landfill closure and postclosure care liability at June 30, 2010 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 \$1,469,447 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 2010. 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:

	Deferred Revenue	Unearned Revenue
Prepaid taxes not yet earned (General)	\$ -	\$92,772
Taxes receivable, net (General)	<u>\$3,848,023</u>	\$ -
Total	<u>\$3,848,023</u>	<u>\$92,772</u>

5. Risk Management

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

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

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

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

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

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

6. Claims, Judgments and Contingent Liabilities

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

7. Long-Term Obligations

a. General Obligation Indebtedness

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

The County's general obligation bonds payable at June 30, 2010 are comprised of the following individual issues:

Serviced by the County's General Fund:
 \$4,746,000 school series 2008 bonds due June 1 in installments of \$368,000 to \$488,000 through June 1, 2020; interest at 3.95%
 (Replaced school series 1997)

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

Total

b. Installment Financing Contracts

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

\$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%

\$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%

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

Total

TOTAL

\$3,000,000 Wagon Primary Expansion QSCB first payment due July 15, 2011 in yearly installments through July 15, 2020. Interest is 5.420% but reimbursed with Tax Credits

<u>2011</u>	<u>2010</u>
3,455,000	3,855,000
5,280,000	5,950,000
<u>8,735,000</u>	<u>9,805,000</u>
426,363	836,171
161,709	211,558
291,858	433,470
162,257	240,000
3,000,000	<u>1,721,199</u>
<u>4,042,187</u>	<u>11,526,199</u>
<u>12,777,187</u>	

Handwritten scribbles and signatures in blue ink.

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

Water District Bonds outstanding at June 30, 2010 in the amount of \$6,706,000 are obligations of the water district, a blended component unit of the County and are not obligations of the County. Payments due on this debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011 ²	110,500	296,427
2012 ³	118,000	291,606
2013 ⁴	124,000	286,541
2014 ⁵	129,500	281,273
2015 ⁶	134,500	275,738
2016-2020 ¹	770,500	275,738
2021-2025 ⁶	958,000	269,956
2026-2030 ¹	1,186,000	1,286,876
2031-2035 ⁶	1,385,500	1,253,944
2036-2040 ¹	1,214,500	1,106,674
2041-2043	464,000	882,190
TOTAL	6,598,000	\$5,678,496
	\$ 6,706,000	5,382,069

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>
2011 ²	1,893,483	361,002
2012 ³	1,762,552	300,745
2013 ⁴	1,181,155	247,365
2014 ⁵	1,087,009	212,963
2015 ⁶	1,013,000	181,932
2016-2020 ¹	4,589,000	448,858
Total	\$ 11,526,199	\$1,752,865

At June 30, 2010, Scotland County had a legal debt margin of \$134,019,558.

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, 2010:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 10,608,000	-	803,000	\$ 9,805,000	\$ 1,070,000
Installment financing	\$ 1,923,043	-	441,844	\$ 1,481,199	\$ 599,369
Net pension obligation	\$ 42,705	-	11,057	\$ 31,648	\$ -
Compensated absences	\$ 810,587	768,668	733,403	\$ 845,852	\$ -
Other postemployment benefits	\$ 993,786	119,254	-	\$ 1,113,040	\$ -
Total governmental activities	\$ 14,378,121	\$ 887,922	\$ 1,989,304	\$ 13,276,739	\$ 1,669,369
Business-type activities:					
General obligation debt	\$ 6,810,500	-	104,500	\$ 6,706,000	\$ 108,000
Installment financing	\$ -	240,000	-	\$ 240,000	\$ 77,743
Accrued landfill closure and postclosure care costs	\$ 1,451,070	97,963	-	\$ 1,549,033	\$ -
Compensated absences	\$ 22,512	19,008	6,328	\$ 35,192	\$ -
Other postemployment benefits	\$ 39,413	4,730	-	\$ 44,143	\$ -
Total business-type activities	\$ 8,323,495	\$ 361,701	\$ 110,828	\$ 8,574,368	\$ 185,743

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2010, consist of the following:

From the General Fund to the:

Capital Reserve Fund	\$ 100,000
Total Transfer	\$ 100,000

Due To and From Interfunds and Other Governments

General Fund:

Due from Capital Projects for cash used in construction	\$ 1,731,484
Due from Solid Waste for cash used in operations	\$ 117,284
Exhibit 3	\$ 1,848,768

Water District One:

Due from Water District Two for cash used in operations	Exhibit 7 \$ 173,111
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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 \$28,898 to the Council during the fiscal year ended June 30, 2010.

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, 2010, 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	54,808,433	19,285,412
WIC	1,204,459	-
Title IV-E, foster care	263,028	53,079
Total	<u>\$ 56,275,920</u>	<u>\$ 19,338,491</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 July 15, 2010, the County issued a \$3,000,000 10 year installment qualified school construction bond. The bond was issued as a 10 year taxable debt instrument with an interest rate of 5.42%.

Required Supplemental Financial Data

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

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

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

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

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

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2003	-	0.00%
2004	-	0.00%
2005	-	0.00%
2006	-	0.00%
2007	-	0.00%
2008	-	0.00%
2009	-	0.00%
2010	-	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	21 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	4.5% - 12.3%
*Includes inflation at	3.75%
Cost-of-living adjustments	N/A

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/08	-	17,301,674	17,301,674	0%	9,416,098	183.75%
12/31/09	-	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%
2010	466,820	73.44%

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		18,709,906	
Interest		249,725	
Total	20,353,858	18,959,631	(1,394,227)
Local option sales taxes:			
Article 39 one percent		2,392,402	
Article 40 one-half of one percent		1,546,219	
Article 42 one-half of one percent		1,339,038	
Article 44 one-half of one percent		419,085	
Total	6,803,760	5,696,744	(1,107,016)
Other taxes and licenses:			
Franchise tax	59,000	97,739	38,739
Unrestricted intergovernmental:			
Beer and wine tax		27,551	
ABC profit distribution		102,921	
Total	200,000	130,472	(69,528)
Restricted intergovernmental:			
State and federal grants		9,737,116	
Lottery proceeds		579,816	
Court facility fees		88,866	
Total	11,838,947	10,405,799	(1,433,148)
Permits and fees:			
Election fees		14,895	
Inspection fees		141,435	
Register of deeds		171,023	
Total	366,330	327,353	(38,977)

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues - continued:			
Sales and services:			
Jail and other fees		91,159	
Ambulance fees		1,005,041	
Recreation fees		148,930	
Health department fees		68,782	
Total	<u>1,207,580</u>	<u>1,313,914</u>	<u>106,334</u>
Investment earnings	400,000	45,871	(354,129)
Fines, forfeitures	400,000	429,550	29,550
Miscellaneous:			
Private grants		10,000	
Private donations		1,878	
Sheriff dept. - surveillance - shared revenue		10,091	
Other		493,640	
Total	<u>423,630</u>	<u>515,609</u>	<u>91,979</u>
 Total revenues	 42,053,105	 37,922,681	 (4,130,424)

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		54,453	
Other operating expenditures		<u>24,813</u>	
Total	<u>87,952</u>	79,266	8,686
Administration:			
Salaries and employee benefits		668,730	
Other operating expenditures		<u>34,746</u>	
Total	<u>719,799</u>	703,476	16,323
Elections:			
Salaries and employee benefits		128,483	
Other operating expenditures		<u>40,674</u>	
Total	<u>182,538</u>	169,157	13,381
Tax:			
Salaries and employee benefits		476,211	
Other operating expenditures		<u>180,884</u>	
Total	<u>659,092</u>	657,096	1,997
Legal:			
Contracted services	130,000	128,013	1,987
Register of deeds:			
Salaries and employee benefits		178,359	
Other operating expenditures		<u>44,954</u>	
Total	<u>238,350</u>	223,313	15,037

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		2,688	
Total	10,000	2,688	7,312
Information technology:			
Salaries and employee benefits		106,825	
Other operating expenditures		54,662	
Capital outlay		26,072	
Total	274,947	187,559	87,388
Total general government	2,302,678	2,150,569	152,109
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,256,442	
Other operating expenditures		421,145	
Capital outlay		144,331	
Total	2,865,933	2,821,918	44,015
Jail:			
Salaries and employee benefits		1,105,684	
Other operating expenditures		704,549	
Total	1,811,370	1,810,233	1,137
Emergency communications & services:			
Salaries and employee benefits		1,482,675	
Other operating expenditures		186,930	
Capital outlay		133,253	
Total	1,993,590	1,802,858	190,732
Forestry service	89,750	76,213	13,537

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Inspections:			
Salaries and employee benefits		264,431	
Other operating expenditures		<u>17,711</u>	
Total	291,903	282,141	9,762
Planning & zoning:			
Other operating expenditures		<u>1,094</u>	
Total	8,171	1,094	7,077
Scotland County Rescue Squad	50,000	-	50,000
Scotland-Hoke Criminal Justice Partnership grant	154,000	153,842	158
Medical examiner	36,000	26,200	9,800
Animal control:			
Salaries and employee benefits		89,341	
Other operating expenditures		<u>8,668</u>	
Total	99,941	98,009	1,932
Humane society	83,800	81,467	2,333
Surveillance and drugs:			
Other operating expenditures		<u>4,535</u>	
Total	10,000	4,535	5,465
Total public safety	7,494,458	7,158,510	335,948

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, 2010

	2010		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures		338,686	
Total	428,585	338,686	89,899
Public buildings:			
Salaries and employee benefits		506,986	
Other operating expenditures		613,377	
Capital outlay		68,662	
Total	1,263,252	1,189,025	74,227
Total central service	1,691,837	1,527,711	164,126
Economic and physical development:			
FCC water connection		913,967	
Contributions to nonprofits		52,700	
Region N-council of government		28,898	
SEDC		3,960	
Total	1,257,910	999,525	258,385
Co-op extension:			
Other operating expenditures		165,861	
Total	178,884	165,861	13,023
Soil and water conservation:			
Salaries and employee benefits		93,468	
Other operating expenditures		4,851	
Total	110,600	98,319	12,281
Total economic & physical development	1,547,394	1,263,706	283,688

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, 2010

	2010		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Other expenditures:			
Scots for youth - CBA		281,002	
Historic Properties		18,000	
Scotland Home Health, Inc.		6,097	
Total other expenditures	306,325	305,100	1,225
Human services:			
Health:			
Administration:			
Salaries and employee benefits		795,950	
Other operating expenditures		170,521	
Total	1,019,912	966,471	53,441
Tuberculosis:			
Salaries and employee benefits		11,507	
Other operating expenditures		2,879	
Total	17,062	14,386	2,676
Orthopedic		9,561	
Child health		52,276	
Primary care		38,045	
Communicable diseases		205,156	
Total	391,992	305,038	86,954
Healthy carolinians:			
Salaries and employee benefits		24,109	
Other operating expenditures		684	
Total	26,322	24,793	1,529
Family planning:			
Salaries and employee benefits		325,994	
Other operating expenditures		80,519	
Total	465,638	406,513	59,125

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Maternal and child health:			
Salaries and employee benefits		327,782	
Other operating expenditures		58,480	
Total	448,244	386,262	61,982
Women, infants, and children:			
Salaries and employee benefits		238,917	
Other operating expenditures		45,139	
Total	334,748	284,056	50,692
Environmental health:			
Salaries and employee benefits		174,046	
Other operating expenditures		17,562	
Total	198,438	191,608	6,830
Child services coordinator:			
Salaries and employee benefits		106,816	
Other operating expenditures		1,648	
Total	129,886	108,464	21,422
MCC	188,683	182,582	6,101
Immunization:			
Salaries and employee benefits		17,570	
Other operating expenditures		9,114	
Total	44,799	26,684	18,115
Adult health:			
Salaries and employee benefits		24,107	
Other operating expenditures		489	
Total	31,122	24,597	6,525

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Preparedness response:			
Salaries and employee benefits		7,509	
Other operating expenditures		65,564	
Capital outlay		14,434	
Total	207,073	87,507	119,566
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		6,654	
Total	80,920	79,574	1,346
Total health	3,584,839	3,088,536	496,303
Social Services:			
Administration:			
Salaries and employee benefits		4,323,037	
Other operating expenditures		4,604,875	
Total	9,604,046	8,927,912	676,134
Transportation:			
Salaries and employee benefits		341,752	
Other operating expenditures		71,079	
Capital outlay		92,688	
Total	583,696	505,519	78,177
Total social services	10,187,742	9,433,431	754,311

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Veterans service officer:			
Salaries and employee benefits		44,247	
Other operating expenditures		20,213	
Total	65,437	64,460	977
Total human services	13,838,018	12,586,427	1,251,591
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		320,904	
Other operating expenditures		296,243	
Capital outlay		9,599	
Total	764,201	626,746	137,455
Libraries:			
Salaries and employee benefits		240,510	
Other operating expenditures		202,175	
Total	474,564	442,685	31,879
Total cultural and recreational	1,238,765	1,069,432	169,333

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Education:			
Public schools - current expense		10,871,381	
Public schools - lottery-capital outlay		1,019,544	
Fines and forfeitures		415,960	
Contributions of capital		680,515	
Community colleges - current		105,000	
Total education	13,101,780	13,092,400	9,380
Debt service:			
Principal retirement		1,244,845	
Interest and fees, other		683,929	
Total debt service	2,012,306	1,928,774	83,532
Total expenditures	43,533,561	41,082,628	2,450,933
Revenues (under) expenditures	(1,480,456)	(3,159,947)	(1,679,491)

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, 2010

	2010		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Other financing sources (uses):			
Operating transfers to other funds:			
Special revenue funds revaluation	(100,000)	(100,000)	-
Appropriated fund balance	<u>1,580,456</u>	<u>-</u>	<u>(1,580,456)</u>
Revenues, other sources and appropriated fund balance (under) expenditures and other uses	<u>-</u>	<u>(3,259,947)</u>	<u>(3,259,947)</u>
Fund balances:			
Beginning of year, July 1		<u>10,686,548</u>	
End of year, June 30		<u>7,426,601</u>	

Scotland County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds										Capital Project Funds					Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds			
	Capital Reserve Fund	Fire Service District Fund	Fire Service District Fund	Emergency Telephone System Fund	Emergency Telephone System Fund	Community Development Block Grant	Nonmajor Special Revenue Funds	Spec Building Project Fund	Courthouse Project Fund	Youth Center Task Force Fund	Wagram Recreation Center	Spec Building Project Fund	Courthouse Project Fund	Youth Center Task Force Fund	Wagram Recreation Center					
Assets																				
Cash and cash equivalents	219,094	502,442	135,259	1,085,640	-	1,942,435	833,470	1,000,000	9,003	93,579	1,936,052	3,878,487								
Other assets	-	1,032	-	-	-	1,032	-	-	-	-	-	-	-	-	-	-	-	-	-	1,032
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>219,094</u>	<u>503,474</u>	<u>135,259</u>	<u>1,085,640</u>	<u>-</u>	<u>1,943,467</u>	<u>833,470</u>	<u>1,000,000</u>	<u>9,003</u>	<u>93,579</u>	<u>1,936,052</u>	<u>3,879,519</u>								<u>3,879,519</u>
Liabilities & fund balances																				
Liabilities:																				
Accounts payable & accrued liabilities	-	-	7,070	-	-	-	7,070	-	-	-	-	7,070	-	-	-	-	-	-	-	7,070
Interfund payables	-	-	-	-	-	-	720,873	1,010,611	-	-	-	1,731,484	-	-	-	-	-	-	-	1,731,484
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>7,070</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>720,873</u>	<u>1,010,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,731,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,738,554</u>
Fund balances:																				
Unreserved	219,094	503,474	128,189	1,085,640	-	1,936,397	112,597	(10,611)	9,003	93,579	204,568	2,140,965								
Total fund balances	<u>219,094</u>	<u>503,474</u>	<u>128,189</u>	<u>1,085,640</u>	<u>-</u>	<u>1,936,397</u>	<u>112,597</u>	<u>(10,611)</u>	<u>9,003</u>	<u>93,579</u>	<u>204,568</u>	<u>2,140,965</u>								<u>2,140,965</u>
Total liabilities and fund balances	<u>219,094</u>	<u>503,474</u>	<u>135,259</u>	<u>1,085,640</u>	<u>-</u>	<u>1,943,467</u>	<u>833,470</u>	<u>1,000,000</u>	<u>9,003</u>	<u>93,579</u>	<u>1,936,052</u>	<u>3,879,519</u>								<u>3,879,519</u>

Scotland County, North Carolina
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2010

	Special Revenue Funds					Capital Project Funds					Total Nonmajor Governmental Funds	
	Capital Reserve Fund	Fire Service District Fund	Emergency Telephone System Fund	Community Development Block Grant	Nonmajor Special Revenue Funds	Spec Building Project Fund	Courthouse Project Fund	Youth Center Task Force Fund	Wagram Recreation Center	Total Nonmajor Capital Project Funds		
Revenues:												
Ad valorem taxes	-	210,763	-	-	210,763	-	-	-	-	-	-	210,763
Other taxes, licenses & fees	-	1,226	268,147	-	269,373	-	-	-	-	-	-	269,373
Sales tax	-	61,360	-	-	61,360	-	-	-	-	-	-	61,360
Restricted intergovernmental	170,963	-	-	282,249	453,212	-	-	-	-	-	-	453,212
Investment earnings	-	3,668	-	-	3,668	-	-	-	-	-	-	3,668
Total revenues	170,963	277,017	268,147	282,249	998,376	-	-	-	-	-	-	998,376
Expenditures:												
Revaluation	-	-	203,237	-	203,237	-	-	-	-	-	-	203,237
Public safety	-	220,390	158,873	-	379,263	-	-	-	-	-	-	379,263
Cultural and recreational	-	-	-	-	-	-	-	-	397,421	397,421	-	397,421
Economic and physical development	73,655	-	-	282,249	355,904	-	-	-	-	-	-	355,904
Total expenditures	73,655	220,390	158,873	282,249	938,404	-	-	-	397,421	397,421	-	1,335,825
Revenues over (under) expenditures	97,308	56,627	109,274	-	59,972	-	-	-	(397,421)	(397,421)	-	(337,449)
Other financing sources:												
Operating transfers	-	-	100,000	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	100,000	-	-	-	-	-	-	-	-	-
Net change in fund balances	97,308	56,627	109,274	-	159,972	-	-	-	(397,421)	(397,421)	-	(237,449)
Fund balances - beginning	121,786	446,847	976,366	-	1,776,425	112,597	(10,611)	9,003	491,000	601,989	-	2,378,414
Fund balances - ending	219,094	503,474	1,085,640	-	1,936,397	112,597	(10,611)	9,003	93,579	204,568	-	2,140,965

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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
State shared revenue	<u>81,000</u>	<u>170,963</u>	<u>89,963</u>
Total revenues	81,000	170,963	89,963
Expenditures:			
Equipment	<u>81,000</u>	<u>73,655</u>	<u>7,345</u>
Total expenditures	81,000	73,655	7,345
Revenues over expenditures	-	97,308	97,308
Other financing sources:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	97,308	<u>97,308</u>
Fund balances - beginning		<u>121,786</u>	
Fund balances - ending		<u>219,094</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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	216,000	210,763	(5,237)
Other taxes, licenses & fees	500	1,226	726
Sales tax	55,000	61,360	6,360
Investment earnings	<u>2,500</u>	<u>3,668</u>	<u>1,168</u>
Total revenues	274,000	277,017	3,017
Expenditures:			
Public safety	<u>274,000</u>	<u>220,390</u>	<u>53,610</u>
Total expenditures	274,000	220,390	53,610
Revenues over expenditures	<u>-</u>	56,627	<u>56,627</u>
Fund balances - beginning		<u>446,847</u>	
Fund balances - ending		<u>503,474</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, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
None	-	-	-
Expenditures:			
Revaluation	214,838	203,237	(11,601)
Revenues over (under) expenditures	214,838	203,237	(11,601)
Other financing sources:			
Transfers:			
General Fund	100,000	100,000	-
Total other financing sources	100,000	100,000	-
Revenues and other sources over (under) expenditures	(114,838)	(103,237)	11,601
Appropriated fund balance	114,838	-	(114,838)
Revenues, other sources, and appropriated fund balance (under) expenditures	-	(103,237)	(103,237)
Fund balances - beginning		231,426	
Fund balances - ending		128,189	

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, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Other taxes, licenses & fees	248,333	268,147	19,814
Total revenues	248,333	268,147	19,814
Expenditures:			
Public safety	398,220	158,873	239,347
Total expenditures	398,220	158,873	239,347
Revenues over (under) expenditures	(149,887)	109,274	259,161
Appropriated fund balance	149,887	-	(149,887)
Revenues and appropriated fund balance over expenditures	-	109,274	109,274
Fund balances - beginning		976,366	
Fund balances - ending		1,085,640	

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, 2010

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Restricted intergovernmental	<u>400,000</u>	<u>282,249</u>	<u>(117,751)</u>
Total revenues	400,000	282,249	(117,751)
Expenditures:			
Economic & physical development	<u>400,000</u>	<u>282,249</u>	<u>117,751</u>
Total expenditures	400,000	282,249	117,751
Revenues over expenditures	<u> -</u>	<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, 2010

	<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>	<u>-</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, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
None	-	-	-	-	-
Expenditures:					
Public safety	<u>1,050,000</u>	<u>1,010,611</u>	-	<u>1,010,611</u>	<u>(39,389)</u>
Total expenditures	1,050,000	1,010,611	-	1,010,611	(39,389)
Revenues over (under) expenditures	(1,050,000)	(1,010,611)	-	(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>200,000</u>	<u>(50,000)</u>
	1,050,000	1,000,000	-	1,000,000	(50,000)
Revenues and other sources (under) expenditures	<u>-</u>	<u>(10,611)</u>	-	<u>(10,611)</u>	<u>(10,611)</u>
Fund balances - beginning			<u>(10,611)</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, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	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>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	2,364,215	-	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>12,830</u>	-
Total expenditures	2,350,133	2,421,412	-	2,421,412	(71,279)
Revenues (under) expenditures	(429,000)	(918,775)	-	(918,775)	(489,775)
Other financing sources:					
Transfers in:					
General Fund	<u>429,000</u>	<u>927,779</u>	-	<u>927,779</u>	<u>498,779</u>
Revenues and other sources over expenditures	<u>-</u>	<u>9,003</u>	-	<u>9,003</u>	<u>9,003</u>
Fund balances - beginning			<u>9,003</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, 2010

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental	500,000	-	-	-	(500,000)
Total revenues	500,000	-	-	-	(500,000)
Expenditures:					
Cultural and recreational	1,350,000	9,000	397,421	406,421	943,579
Total expenditures	1,350,000	9,000	397,421	406,421	943,579
Revenues over (under) expenditures	(850,000)	(9,000)	(397,421)	(406,421)	443,579
Other financing sources:					
Installment financing	350,000	-	-	-	350,000
Transfers from:					
General Fund	500,000	500,000	-	500,000	-
Total other financing sources	850,000	500,000	-	500,000	(350,000)
Revenues and other sources over (under) expenditures	-	491,000	(397,421)	93,579	93,579
Fund balances - beginning			491,000		
Fund balances - ending			93,579		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		1,600,255	
Other operating revenues		<u>166,615</u>	
Total operating revenues	<u>2,243,378</u>	<u>1,766,870</u>	<u>(476,508)</u>
Expenditures:			
Operating expenses:			
Salaries & employee benefits		509,219	
Supplies		18,162	
Repairs & maintenance		78,505	
Contracted services		88,707	
Waste disposal		795,617	
Other operating expenditures		<u>257,186</u>	
Total operating expenses	<u>2,170,823</u>	<u>1,747,396</u>	<u>423,427</u>
Capital outlays	<u>312,555</u>	<u>271,702</u>	<u>40,853</u>
Total expenditures	<u>2,483,378</u>	<u>2,019,098</u>	<u>464,280</u>
Revenues (under) expenditures	(240,000)	(252,229)	(12,229)
Other financing sources:			
Long-term debt issued	<u>240,000</u>	<u>240,000</u>	<u>-</u>
Revenues (under) expenditures and other financing sources	<u>-</u>	<u>(12,229)</u>	<u>(12,229)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Long-term debt		(240,000)	
Capital outlays		271,702	
Depreciation		(75,019)	
(Increase) in accrued vacation		(8,075)	
(Increase) in accrued landfill closure and postclosure costs		(97,963)	
Increase in accrued OPEB liability		<u>(4,730)</u>	
Total reconciling items		<u>(154,085)</u>	
Net (loss)		<u>(166,314)</u>	

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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		572,993	
Water taps		<u>8,683</u>	
Total operating revenues	<u>522,457</u>	581,676	59,219
Expenditures:			
Operating expenses:			
Water purchases		141,808	
Other operating expenditures		<u>176,664</u>	
Total operating expenses	<u>396,135</u>	318,472	77,663
Debt service:			
Principal retirement		35,500	
Interest		<u>90,822</u>	
Total	<u>126,322</u>	126,322	-
Total expenditures	<u>522,457</u>	<u>444,794</u>	<u>77,663</u>
Revenues over expenditures	<u>-</u>	136,882	<u>136,882</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payment		35,500	
Depreciation		(113,236)	
(Increase) in accrued vacation		<u>(4,605)</u>	
Total reconciling items		(82,341)	
Net income		<u>54,541</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, 2010

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales		390,582	
Sewer fees		104,698	
Water taps		10,520	
Total operating revenues	500,069	505,801	5,732
Expenditures:			
Operating expenses:			
Water purchases		126,860	
Water operations		93,790	
Total operating expenses	220,800	220,649	151
Debt service:			
Debt principal		69,000	
Interest		210,269	
Total	279,269	279,269	-
Total expenditures	500,069	499,918	151
Revenues over expenditures	-	5,882	5,882
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Principal payments		69,000	
Depreciation		(183,736)	
Total reconciling items		(114,736)	
Change in net assets		(108,854)	

OTHER SCHEDULES

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Social Services				
Assets:				
Cash & cash equivalents	39,574	208,334	208,744	39,164
Liabilities:				
Miscellaneous liabilities	39,574	208,334	208,744	39,164
Fines and Forfeitures				
Assets:				
Cash & cash equivalents	5,406	607,624	598,947	14,083
Liabilities:				
Intergovernmental payable				
Board of Education	-	415,961	415,961	-
Other tax	2,808	156,764	150,387	9,185
Intergovernmental payable				
NC Division of Motor Vehicles	2,598	34,899	32,599	4,898
Total liabilities	5,406	607,624	598,947	14,083
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	53,419	435,685	404,824	84,280
Liabilities:				
Miscellaneous liabilities	53,419	435,685	404,824	84,280
Jail Canteen Fund				
Assets:				
Cash	14,382	75,719	73,114	16,987
Liabilities:				
Inmate funds	14,382	75,719	73,114	16,987
Tourism Development Fund				
Assets:				
Cash	145,351	323,807	314,343	154,815
Liabilities:				
Miscellaneous liabilities	145,351	323,807	314,343	154,815

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Scotland Economic Development				
Assets:				
Cash	389,601	139,000	108,443	420,158
Liabilities:				
Miscellaneous liabilities	389,601	139,000	108,443	420,158
Totals - All Agency Funds				
Assets:				
Cash & cash equivalents	647,733	1,790,169	1,708,415	729,487
Liabilities:				
Miscellaneous liabilities	645,135	1,339,309	1,259,855	724,589
Intergovernmental payable				
Board of Education	-	415,961	415,961	-
NC Division of Motor Vehicles	2,598	34,899	32,599	4,898
Total liabilities	647,733	1,790,169	1,708,415	729,487

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2010

<u>Fiscal Year</u>	Uncollected Balance June 30, 2009	Additions	Collections And Credits	Uncollected Balance June 30, 2010
2009-2010	\$ -	\$ 19,457,817	\$ 17,922,769	\$ 1,535,048
2008-2009	\$ 1,383,698	\$ -	\$ 720,630	\$ 663,068
2007-2008	\$ 553,258	\$ -	\$ 114,317	\$ 438,941
2006-2007	\$ 389,107	\$ -	\$ 49,476	\$ 339,631
2005-2006	\$ 325,987	\$ -	\$ 31,249	\$ 294,738
2004-2005	\$ 240,952	\$ -	\$ 24,076	\$ 216,876
2003-2004	\$ 179,638	\$ -	\$ 11,647	\$ 167,991
2002-2003	\$ 151,064	\$ -	\$ 7,729	\$ 143,335
2001-2002	\$ 126,564	\$ -	\$ 4,223	\$ 122,341
2000-2001	\$ 131,903	\$ -	\$ 3,320	\$ 128,583
1999-2000	\$ 92,483	\$ -	\$ 92,483	\$ -
Total	\$ 3,574,654	\$ 19,457,817	\$ 18,981,919	\$ 4,050,552
				Less allowance for uncollectible accounts
				\$ (202,528)
				Ad valorem taxes receivable - net:
				General Fund
				<u>\$ 3,848,024</u>
<u>Reconcilement with revenues:</u>				
				Ad valorem taxes - General Fund
				\$ 18,709,906
				Interest collected on ad valorem taxes - General Fund & late list
				\$ 249,725
				Reconciling items:
				Interest only collected
				\$ (194,668)
				Priors year's penalties & advertising collected
				\$ (449)
				Discounts
				\$ 80,702
				Taxes written off & released
				\$ 136,703
				Total reconciling items
				\$ 22,288
				Total collections and credits
				<u>18,981,919</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2010

	<u>County-wide Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Total Levy Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy	1,721,669,310	1.02	17,561,027	17,561,027	-
Property taxed at current year's rate	197,403,820	1.02	2,013,519	-	2,013,519
Penalties & advertising	-		76,318	76,318	-
Total	1,919,073,130		19,650,864	17,637,345	2,013,519
Abatements	<u>(18,926,170)</u>		<u>(193,047)</u>	<u>(152,485)</u>	<u>(40,562)</u>
Total property valuations	<u><u>1,900,146,960</u></u>				
Net levy			19,457,817	17,484,860	1,972,957
Uncollected taxes at June 30, 2010			<u>1,535,048</u>	<u>1,078,868</u>	<u>456,180</u>
Current year's taxes collected			<u><u>17,922,769</u></u>	<u><u>16,405,992</u></u>	<u><u>1,516,777</u></u>
Current year collection percentage			92.11%	93.83%	76.88%

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2010

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 1,319,079,201
Personal property	502,383,589
Public service companies ²	<u>78,684,170</u>
Total assessed valuation	1,900,146,960
Tax rate per \$100	1.02
Levy (includes discoveries, releases and abatements) ³	\$ 19,457,817

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>\$ 220,644</u>
Total	<u>\$ 220,644</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, 2010

<u>Taxpayer</u>	<u>Type of Business</u>	2010 <u>Assessed Valuation</u>	Percentage of Total Assessed <u>Valuation</u>
Pilkington North America	Glass Production	\$ 95,834,499	5.03%
Westpoint Home, Inc.	Distribution	33,185,228	1.74%
Carrolls Realty	Real Estate	24,281,074	1.27%
Kordsa	Rubber-Cord	25,553,926	1.34%
FCC North Carolina, Inc.	Automotive Suppliers	33,679,670	1.77%
Progress Energy Carolinas	Utilities	22,395,529	1.18%
QualPack, LLC	Pharmaceutical	19,595,235	1.03%
Bell South Long Distance, Inc.	Utilities	16,520,265	0.90%
Meritor	Automotive Suppliers	17,060,355	0.90%
Umicore	Brake Shoes	<u>12,116,200</u>	<u>0.64%</u>
Total		<u>\$ 300,221,981</u>	<u>15.80%</u>

COMPLIANCE SECTION

Gustaf C. Lundin & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CREECH BUILDING - 105 EAST RAILROAD STREET

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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, 2010, which collectively comprises Scotland County's basic financial statements, and have issued our report thereon dated December 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A 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 responses to be significant deficiencies in internal control over financial reporting. 2010-1, 2010-2 and 2010-3. 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.

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

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 2010-3 to be a material weakness.

Compliance and Other Matters

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

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

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

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

December 20, 2010

Gustaf C. Lundin & Company, LLP

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

To the Board of County Commissioners
Scotland County, North Carolina

Compliance

We have audited the compliance of Scotland County, North Carolina, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Scotland County's major federal programs for the year ended June 30, 2010. Scotland County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Scotland County's management. Our responsibility is to express an opinion on Scotland County's compliance based on our audit.

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

In our opinion, Scotland County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

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

December 20, 2010

Gustaf C. Lundin & Company, LLP

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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, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. Scotland County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Scotland County's management. Our responsibility is to express an opinion on Scotland County's compliance based on our audit.

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

In our opinion, Scotland County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exist when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected and corrected, on a timely basis.

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

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

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

December 20, 2010

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

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

Noncompliance material to financial
statements noted yes X no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133 yes X no

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2010

Identification of major federal programs:

<u>CFDA #</u>	<u>Program Name</u>
93.778	Medicaid
93.568	Low Income Home Energy Assistance (LEHAP)
10.780	ARRA - USDA - Rural Development Facilities Grant

Dollar threshold used to distinguish
 between Type A and Type B Programs \$1,923,559

Auditee qualified as low-risk auditee? _____yes ___X___no

State Awards

Internal control over major State programs:

* Material weakness(es) identified? _____yes ___X___no

* Significant deficiencies identified
 that are not considered to be
 material weaknesses _____yes ___X___none reported

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

Any audit findings disclosed that are required
 to be reported in accordance with State
 Single Audit Implementation Act _____yes ___X___no

Identification of major State programs:

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

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Section II - Financial Statement Findings

Finding: 2010-1

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: 2010-2

SIGNIFICANT DEFICIENCY

The Semiannual Report of Deposits and Investments (LGC 203) was not filed on time.

Criteria: The report is required to be filed with the Secretary of the Local Government Commission pursuant to the requirements of G.S. 159-33 and 33.1.

Condition: A letter dated September 15, 2010 from the Local Government Commission to Scotland County requesting that the report was due on July 25, 2010 and needed to be filed as soon as possible.

Effect: Deposit and investment information not available to the State of North Carolina.

Cause: Oversight of the report due date.

Recommendation: Key report filing dates should be monitored for timely filing.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Section II - Financial Statement Findings

Finding: 2010-3

MATERIAL DIFICIENCY

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

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

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

Cause: 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.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2010

Section II - Financial Statement Findings

Finding: 2010-1

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: Immediately.

Finding: 2010-2

Name of contact person: Kevin Patterson, County Manager - Finance Officer

Corrective Action: Key due dates for reports will be given priority.

Proposed Completion Date: Immediately.

Finding: 2010-3

Name of contact person: Kevin Patterson, County Manager

Corrective Action: The County has rearranged duties of personnel 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.

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2010

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, 2010

Prior Year Financial Statements Findings

Finding 2009-1

Status: See current year finding 2010-1.

Finding 2009-2

Status: See current year finding 2010-3.

Finding 2009-3

Status: Information related to other post-employment benefits was received in a timely manner.

Scotland County
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
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:					
Supplemental Nutrition Assist. Program Cluster					
	10.561		443,126	-	361,690
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program					
ARRA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program					
	10.561		68,722	-	-
			511,848	-	361,690
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		328,216	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children					
	10.557		1,204,459	-	-
Rural Development:					
Direct- Department of Agriculture Rural Development ARRA-Community Facilities Loans and Grants					
	10.780		75,000	-	-
Total U.S. Dept. of Agriculture			2,119,523	-	361,690

Scotland County
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2010

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>Department of Housing and Urban Development</u>					
Passed-through N.C. Department of Commerce:					
CDBG - State - Administered Small Cities Program Cluster					
Community Development Block Grant, Small Cities Program	14.218	08-c-1837	282,300	-	-
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Direct Program:					
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804		90,807	-	-
<u>US Department of Transportation</u>					
<u>Passed-Through the NC Department of Transportation</u>					
Rural Operating Assistance Program (ROAP)	20.205		31,204	7,801	-
Transit Capital Grant	20.509		93,402	5,838	-
Administrative	20.609		52,763	-	-
Governor's Highway Safety Program			177,369	13,639	-
Total U.S. Dept. of Transportation					
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
<u>Foster Care and Adoption Cluster (Note 3)</u>					
Title IV-E Foster Care - Administration	93.658		173,874	25,119	131,429
Foster Care - Direct Benefit Payments	93.658		279,428	57,540	58,183
IV-E Adoption Optional Admin	93.659		263,028	53,079	53,341
Total Foster Care and Adoption (Note 3)			716,330	135,738	242,953

Scotland County
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Work First/TANF-Direct Benefit Payments	93.558		975,231	(162)	1,152
WF Funct Assess	93.558		5,310		
IV-D Administration	93.563		520,656		268,217
IV-D Offset Fees	93.563		5,188	(21)	2,693
CSE Incentive Recovery	93.563		62,908		32,407
Low-Income Home Energy Assistance Block Grant: Administration	93.568		44,981		
Energy Assistance Payments- Direct Benefit Payments	93.568		403,227		
Crisis Intervention Program	93.568		271,174		
Child Welfare Services - State Grants - Permanency Planning	93.645		10,380	3,139	898
Independent Living-Transitional Grant	93.674		3,751		
Transitional Funds	93.674		6,739	1,685	
Family Preservation	93.556		2,357		
TANF Domestic Violence	93.558		18,253		
TANF Foster Care	93.558		33,453		6,661
Work First Admin	93.558		76,120		136,191
Work First Service	93.558		568,302		628,664
Division of Aging and Adult Services:					
Division of Social Services:					
SSBG- Other Services TRNG	93.667		201,490	17,441	72,977
SSBG - State In Home Service Fund	93.667		13,097		1,871
SSBG - State Adult Day Care	93.667		17,356	17,887	5,035
Division of Child Development:					
Subsidized Child Care (Note 3)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Fund-Administration	93.596		84,902		
Division of Child Development:					
Child Care and Development Fund-Discretionary	93.575		662,525		
Child Care and Development Fund -- Mandatory	93.596		383,557		
Child Care and Development Fund -- Match	93.596		358,331	192,641	
ARRA-Child Care and Development Block Grant	93.713		7,372		
Total Child Care Development Fund Cluster			1,496,687	192,641	

Scotland County
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2010

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
Social Services Block Grant	93.667		12,192	-	-
TANF	93.558		193,118	-	-
More at Four State Funding			-	140,860	-
TANF-MOE			-	128,420	-
Total Subsidized Child Care (Note 3)			1,701,997	461,921	-
<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		54,808,433	19,285,412	24,591
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778		630,212	56,357	558,753
State Children's Insurance Program - N.C. Health Choice	93.767		14,941	1,989	2,860
<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	93.218		64,088	-	-
Immunization Program/Aid to County Funding	93.268		21,904	-	-
Prevention Investigations and Technical Assistance	93.283		89,186	-	-
TANF	93.558		7,725	-	-
ARRA-Immunizations	93.712		8,846	-	-
Maternal and Child Health Services Block Grant	93.994		145,001	-	-
Total U.S. Dept. of Health and Human Services			61,448,636	19,981,386	1,985,923
Total Federal Awards			64,118,635	19,995,025	2,347,613

Scotland County
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2010

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
State Awards:					
<u>N.C. Dept. of Cultural Resources</u>					
Division of State Library			-	113,210	-
State Aid to Public Libraries			-	113,210	-
Total N.C. Dept. of Cultural Resources			-	422,435	422,435
<u>N.C. Dept. of Health and Human Services</u>					
Division of Aging and Adult Services			-	178,456	28,360
Division of Social Services			-	77,466	77,466
State/County Special Assistance for Adults - Domiciliary Care			-	50,995	50,995
Division of Social Services:			-	22,060	3,075
CWS Adopt Subsidy & Vendor			-	16,000	-
State Foster Home			-	2,440	-
SFHF Maximization			-	-	-
F/C At Risk Maximization			-	-	-
DCD Smart Start			-	769,852	582,331
Energy Assist Private Grants			-	-	-
Total Division of Social Services			-	132,965	-
Division of Public Health			-	7,855	-
General			-	13,023	-
Communicable Disease			-	458	-
Tuberculosis			-	1,966	-
AIDS			-	6,647	-
Maternal Health			-	1,529	-
Womens Preventive Health			-	802	-
TB Medical Services			-	33,229	-
LHD Smokefree Law			-	-	-
Preparedness and Response			-	198,474	-
Total Division of Public Health			-	-	-

Scotland County
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2010

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

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

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Juvenile Family Alternatives (JCPC)	NA	-	6,097
Scots for Youth (Juvenile Justice)	NA	-	285,103
City of Laurinburg-Justice Assistance Grant	16.804	-	41,935

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

