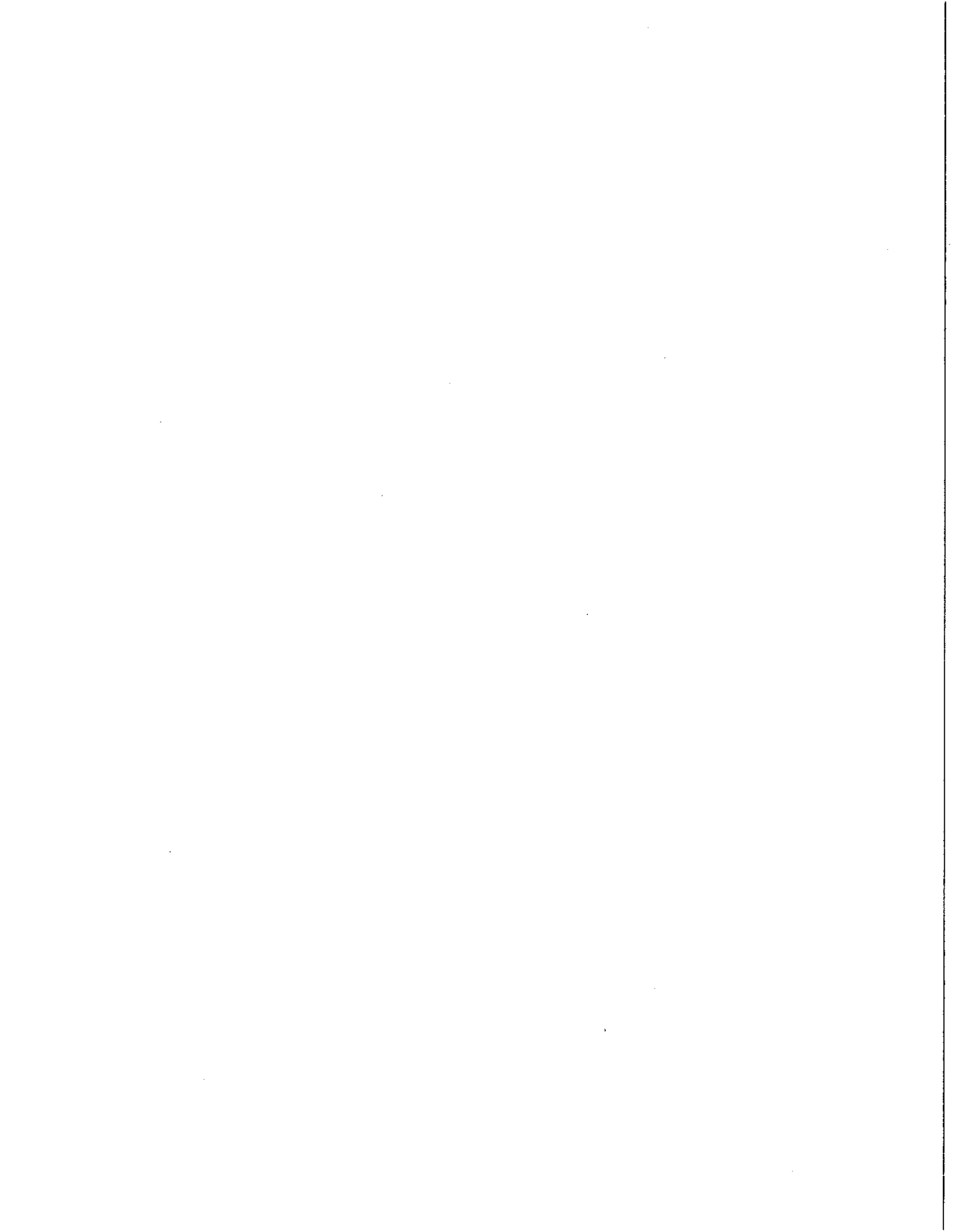


Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2020



SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

Robert C. Davis, Chair

Carol H. McCall, Vice Chair

John T. Alford, Commissioner

Whit Gibson, Commissioner

Betty Blue Gholston, Commissioner

Tim Ivey, Commissioner

Clarence McPhatter, II, Commissioner

COUNTY OFFICIALS

Jason Robinson, Clerk to the Board

Kevin G. Patterson, County Manager

Edward H. Johnston, Jr., County Attorney

Page Pratt, Register of Deeds

Beth Hobbs, Finance Officer

Scotland County, North Carolina
Table of Contents
June 30, 2020

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

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

<u>Exhibit</u>		<u>Page</u>
C-6	Schedule of Revenues, Expenditures, and Changes in Fund Balances Disaster Recovery - Budget and Actual	94
C-7	Schedule of Revenues, Expenditures, and Changes in Fund Balances Coronavirus Recovery Fund - Budget and Actual	95
C-8	Schedule of Revenues, Expenditures, and Changes in Fund Balances Technology Fund - Budget and Actual	96
C-9	Schedule of Revenues, Expenditures, and Changes in Fund Balances Morgan Center Project - Budget and Actual	97
C-10	Schedule of Revenues, Expenditures, and Changes in Fund Balances Capital Reserve - Budget and Actual	98
C-11	Schedule of Revenues, Expenditures, and Changes in Fund Balances CDBG - Mountaire - Budget and Actual	99
C-12	Schedule of Revenues, Expenditures, and Changes in Fund Balances Edwards Wood Products - Budget and Actual	100
C-13	Schedule of Revenues, Expenditures, and Changes in Fund Balances Facilities Parking Lot Project - Budget and Actual	101
C-14	Schedule of Revenues, Expenditures, and Changes in Fund Balances Covington Street School Project - Budget and Actual	102
D-1	Schedule of Revenues and Expenditures - Budget and Actual - Public Works Fund	103
D-2	Schedule of Revenues and Expenditures - Budget and Actual - Water District I Fund	104
D-3	Schedule of Revenues and Expenditures - Budget and Actual - Water District II Fund	105
D-4	Schedule of Revenues and Expenditures - Budget and Actual - Recycling Center Project	106
E	Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	107-108
	Other Schedules	
F	Schedule of Ad Valorem Taxes Receivable	109
F-1	Analysis of Current Tax Levy - County-wide Levy	110

F-2	Secondary Market Disclosures	111
F-3	Ten Largest Taxpayers	112
Compliance Section:		
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	113-114
	Report on Compliance With Requirements Applicable to Each Major Federal Program And Internal Control Over Compliance; In Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act	115-117
	Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	118-120
	Schedule of Findings and Questioned Costs	121-127
	Schedule of Expenditures of Federal and State Awards	128-132

FINANCIAL SECTION



Roche, Head & Associates, PLLC

• CERTIFIED PUBLIC ACCOUNTANTS •

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Scotland County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Scotland County ABC Board which represents 9.59 percent, 4.34 percent, and 71.24 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Scotland County ABC Board is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Scotland County ABC Board, the Scotland County Tourism Development Authority, the Scotland County Historic Properties Commission, and the Scotland County Economic Development Corporation were not audited in accordance with *Governmental Auditing Standards*.

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

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

Opinions

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability and County Contributions, pages 68 and 69, and the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Asset and County Contributions on pages 70 and 71, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, pages 72 and 73, the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of Scotland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scotland County's internal control over financial reporting and compliance.

Roche, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

March 19, 2021

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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

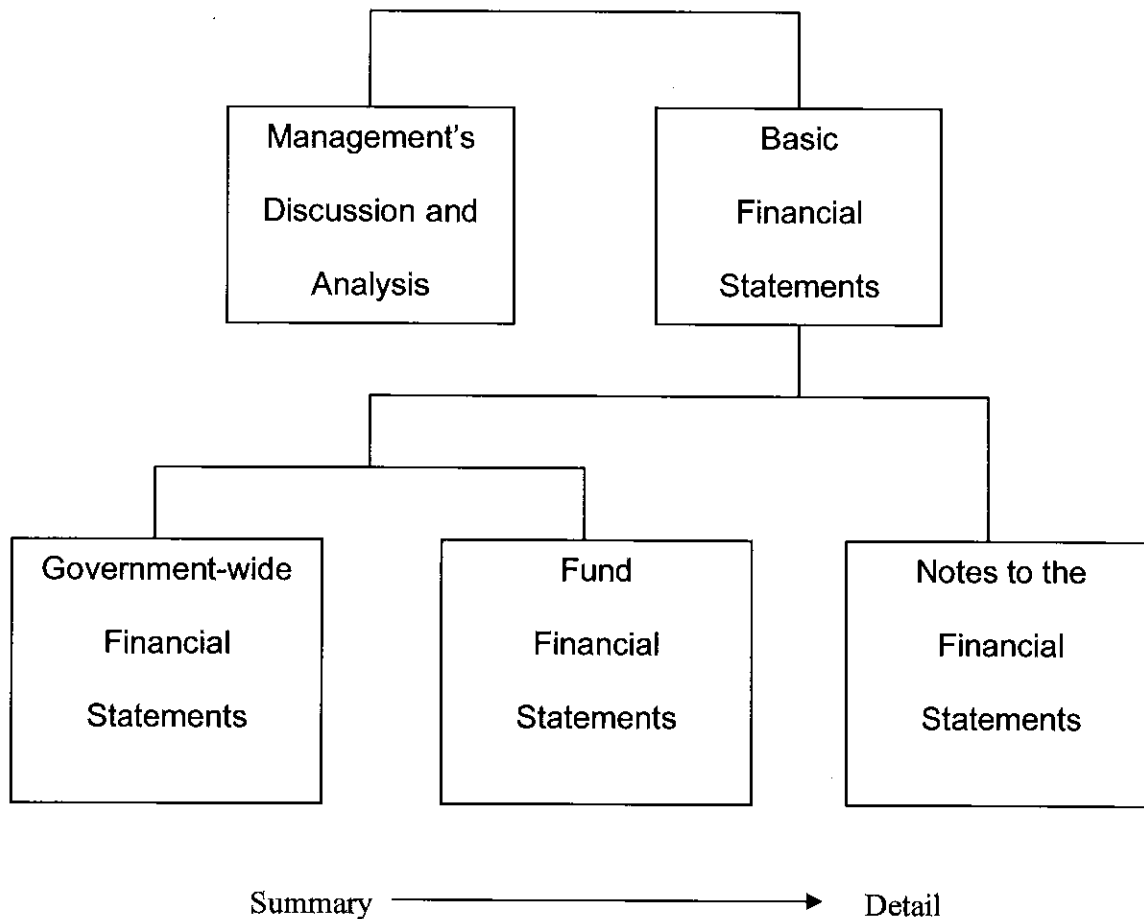
- The liabilities and deferred inflows of resources of Scotland County exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$(34,586,819) (*net position, exhibit 1*).
- The government's total net position decreased by \$(12,546,965) primarily due to actuarial liability valuations related to OPEB.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$18,767,723 (*exhibit 3*) a decrease of \$13,579,169 in comparison with the prior year. Approximately 47.01 percent of this total amount, or \$8,823,529 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,823,602 or 20.68 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Scotland County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 68 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$34,586,819 as of June 30, 2020. The County's net position decreased by \$12,546,965 for the fiscal year ended June 30, 2020. One of the largest portions \$15,898,439, (45.97)% reflects the County's net investments in capital assets (e.g. land, buildings, machinery, and equipment). Scotland County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Scotland County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Scotland County's net position \$5,162,366 (14.92)% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(55,647,625) (160.90)% is unrestricted.

Scotland County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 25,420,495	\$ 39,427,091	\$ 2,973,499	\$ 2,793,231	\$ 28,393,994	\$ 42,220,322
Capital assets	13,916,015	13,594,698	8,379,817	8,297,474	22,295,832	21,892,172
Total assets	39,336,510	53,021,789	11,353,316	11,090,705	50,689,826	64,112,494
Total deferred outflows of resources	3,866,296	4,180,987	148,206	161,283	4,014,502	4,342,270
Long-term liabilities outstanding	66,918,863	69,301,962	7,969,163	8,084,282	74,888,026	77,386,244
Other liabilities	4,011,493	4,506,786	181,427	337,019	4,192,920	4,843,805
Total liabilities	70,930,356	73,808,748	8,150,590	8,421,301	79,080,946	82,230,049
Total deferred inflows of resources	9,570,249	7,681,956	639,953	592,613	10,210,202	8,274,569
Net position:						
Net investment in capital assets	13,009,301	10,251,691	2,889,138	2,655,559	15,898,439	12,907,250
Restricted	5,162,366	21,793,090	-	-	5,162,366	21,793,090
Unrestricted	(55,469,466)	(56,322,710)	(178,159)	(417,484)	(55,647,625)	(56,740,194)
Total net position	\$ (37,297,799)	\$ (24,277,929)	\$ 2,710,979	\$ 2,238,075	\$ (34,586,820)	\$ (22,039,854)

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

- Continued diligence in the collection of property taxes by keeping our collection percentage around 99.69% and striving to improve collectability.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

SCOTLAND COUNTY'S CHANGES IN NET POSITION

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 3,430,424	\$ 3,698,654	\$ 4,260,968	\$ 4,424,065	\$ 7,691,392	\$ 8,122,719
Operating grants and contributions	8,718,815	9,092,957	121,886	-	8,840,701	9,092,957
General revenues:						
Property taxes	23,267,267	23,146,463	-	-	23,267,267	23,146,463
Local option sales tax	7,707,612	7,474,729	-	-	7,707,612	7,474,729
Other taxes	687,747	368,316	78,978	76,245	766,725	444,561
Interest investment earnings	450,999	831,600	-	4,446	450,999	836,046
Other	2,060,906	984,510	88,724	41,861	2,149,630	1,026,371
Total revenues	46,323,770	45,597,229	4,550,556	4,546,617	50,874,326	50,143,846
Expenses:						
General government	3,032,740	2,702,143	-	-	3,032,740	2,702,143
Public safety	10,344,440	9,861,242	-	-	10,344,440	9,861,242
Economic and physical development	1,439,451	1,471,270	-	-	1,439,451	1,471,270
Central services	2,231,561	1,750,904	-	-	2,231,561	1,750,904
Human services	11,588,439	10,863,273	-	-	11,588,439	10,863,273
Cultural and recreation	1,319,111	1,368,613	-	-	1,319,111	1,368,613
Education	11,052,168	11,093,214	-	-	11,052,168	11,093,214
Contribution to local school (construction)	16,463,942	18,761,025	-	-	16,463,942	18,761,025
Interest on long-term debt	1,871,788	1,627,694	-	-	1,871,788	1,627,694
Public works-solid waste	-	-	2,612,797	2,627,549	2,612,797	2,627,549
Water district I	-	-	900,381	806,285	900,381	806,285
Water district II	-	-	641,473	588,526	641,473	588,526
Total expenses	59,343,640	59,499,378	4,154,651	4,022,360	63,498,291	63,521,738
Increase (decrease) in net position before transfers	(13,019,870)	(13,902,149)	395,905	524,257	(12,623,965)	(13,377,892)
Transfers	-	-	-	-	-	-
Insurance recoveries	-	-	77,000	-	77,000	-
Increase (decrease) in net position	(13,019,870)	(13,902,149)	472,905	524,257	(12,546,965)	(13,377,892)
Net position, beginning, previously reported	(23,615,351)	(9,713,202)	2,238,075	1,713,818	(21,377,276)	(7,999,384)
Restatement	(662,578)	-	-	-	(662,578)	-
Net position, beginning, restated	(24,277,929)	-	2,238,075	-	(22,039,854)	-
Net position ending	\$ (37,297,799)	\$ (23,615,351)	\$ 2,710,979	\$ 2,238,075	\$ (34,586,819)	\$ (21,377,276)

Governmental activities. Governmental activities decreased the County's net position by \$(13,019,870). The decrease was due to actuarial OPEB liabilities.

Business-type activities: Business-type activities increased Scotland County's net position by \$472,905. The Proprietary Funds had an increase in net position primarily due to controlled costs and increased revenues in the public works fund.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Scotland County. At the end of the current fiscal year Scotland County's fund balance available in the General Fund was \$10,348,608, while total fund balance reached \$13,561,613. The Governing Body of Scotland County has determined that the County should maintain an available fund balance of 15% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 24% of general fund expenditures, while total fund balance represents 32% of that same amount.

At June 30, 2020, the governmental funds of Scotland County reported a combined fund balance of \$18,767,723 a 41.98 percent decrease over last year. The primary reason for the decrease is decrease of transfers of construction projects to schools.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted revenues by \$1,046,330.

Proprietary Funds. Scotland County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Public Works-Solid Waste Fund at the end of the fiscal year amounted to \$(1,609,544) and those for the Water District I Fund equaled \$805,428, and those for the Water District II Fund equaled \$625,957. The total change in net position for these funds was \$394,214, \$(48,339) and \$127,030, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of Scotland County's business-type activities.

Capital Asset and Debt Administration

Capital assets. Scotland County's capital assets for its governmental and business-type activities as of June 30, 2020 totals \$22,295,832 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

- Purchase of new firetrucks.
- Construction of new school.
- Rehabilitation of office buildings.
- Purchase of vehicles.

SCOTLAND COUNTY'S CAPITAL ASSETS

(net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 472,765	\$ 307,972	\$ 314,334	\$ 314,334	\$ 787,099	\$ 622,306
Construction in progress	714,060	41,772	186,987	-	901,047	41,772
Buildings and system	8,431,683	9,539,722	6,992,387	7,312,909	15,424,070	16,852,631
Machinery and equipment	925,941	1,026,277	80,585	66,222	1,006,526	1,092,499
Vehicles and motorized equipment	3,371,566	2,678,955	805,523	604,009	4,177,089	3,282,964
Total	\$ 13,916,015	\$ 13,594,698	\$ 8,379,816	\$ 8,297,474	\$ 22,295,831	\$ 21,892,172

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, 2020 Scotland County had total bonded debt outstanding of \$1,914,356 all of which is debt backed by the full faith and credit of the County.

Scotland County's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ -	\$ 693,000	\$ -	\$ -	\$ -	\$ 693,000
Limited obligation bonds	38,740,000	38,970,000	4,985,000	5,125,000	43,865,000	44,095,000
Installment purchases	1,781,714	1,558,192	-	-	1,781,714	1,558,192
Accrued landfill closure and postclosure care costs	-	-	2,123,314	2,047,919	2,047,919	2,047,919
Compensated absences	946,589	932,871	40,945	49,274	995,863	982,145
Net pension liability (LGRS)	4,651,394	3,983,257	193,807	165,968	4,817,362	4,149,225
Total pension liability (LEOSSA)	586,738	656,755	-	-	586,738	656,755
Net OPEB liability	20,212,428	22,507,887	625,127	696,120	20,908,548	23,204,007
Total	\$ 66,918,863	\$ 69,301,962	\$ 7,968,193	\$ 8,084,281	\$ 75,003,144	\$ 77,386,243

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Scotland County is \$140,455,112.

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

Economic Factors and Next Year's Budgets and Rates

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

- The County's unemployment rate of 14.0% is higher than the State average of 8.5% as of July 2020. However, this is a moderate increase from last year's unemployment rates of 6.1% for the County and a moderate increase of 4.6% for the State.
- Assisted local legislators in obtaining \$8 million in funding for 2,000 feet of additional runway at Laurinburg-Maxton Airport.
- Applied for an EDA grant for \$2 million in funding for a 50,000 square foot incubator space.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Property taxes are expected to remain at \$1.00 per \$100 valuation. The Fire Service tax is expected to remain at \$0.05 per \$100 valuation for properties outside the corporate limits of Wagram, Gibson, and Laurinburg.

Budgeted expenditures in the General Fund are expected to increase approximately 1.5% to \$44,394,085. The largest increments are in employee compensation, including funding compensation and benefits adjustments, debt service, and capital projects.

Business-type Activities: The water and sewer rates in the County will remain constant for fiscal year 2021.

An availability fee of \$55 and \$85 for the City and County residents, respectively, will remain constant for FY 2021. The revenues from these fees will be used to cover costs associated with the future closing of the landfill and with equipment purchases necessary to operate the landfill.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Scotland County, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government			Component Units			
	Governmental Activities	Business- type Activities	Total	Scotland County AHC Board	Scotland Co. Historic Properties Commission	Scotland Co. Tourism Development Authority	Scotland Co. Economic Development Corporation
ASSETS							
Cash and cash equivalents	12,752,037	2,405,960	15,157,997	380,775	40,033	224,844	692,852
Inventory	-	-	-	132,895	-	-	-
Receivables (net):							
Taxes	2,550,008	-	2,550,008	-	-	-	1,546
Accounts	169,565	314,491	484,056	-	-	19,019	-
Due from (to) other funds	(121,886)	121,886	-	-	-	-	-
Due from other governments	3,374,053	131,162	3,505,215	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Prepaid expenses	9,682	-	9,682	2,767	-	11,092	-
Restricted cash	6,633,790	-	6,633,790	-	18,361	-	-
Net pension asset (register of deeds)	53,246	-	53,246	-	-	-	-
Capital assets:							
Land, improvements and construction in progress	1,186,825	501,321	1,688,146	19,000	221,053	-	90,362
Other capital assets, net of depreciation	12,729,190	7,878,496	20,607,686	122,691	366,980	153,613	4,367,510
Total capital assets	13,916,015	8,379,817	22,295,832	141,691	588,033	153,613	4,457,872
Total assets	39,336,510	11,353,316	50,689,826	658,128	646,427	408,568	5,152,270
DEFERRED OUTFLOWS OF RESOURCES							
Pension deferrals	2,969,206	120,461	3,089,667	45,307	-	-	-
OPEB deferrals	897,090	27,745	924,835	3,084	-	-	-
Total deferred outflows of resources	3,866,296	148,206	4,014,502	48,391	-	-	-
LIABILITIES							
Accounts payable and accrued liabilities	1,056,980	182,396	1,239,376	283,456	1,468	254	2,578
Advance of COVID-19 funding	762,916	-	762,916	-	-	-	-
Liabilities to be paid from restricted assets	2,191,597	-	2,191,597	-	-	-	-
Long-term liabilities:							
Due within one year	2,175,796	145,000	2,320,796	-	-	3,047	298,623
Due in more than one year	64,743,067	7,823,194	72,566,261	206,839	-	27,175	1,308,558
Total long-term liabilities	66,918,863	7,968,194	74,887,057	206,839	-	30,222	1,607,181
Total liabilities	70,930,356	8,150,590	79,080,946	490,295	1,468	30,476	1,609,759
DEFERRED INFLOWS OF RESOURCES							
Prepaid taxes	38,026	-	38,026	-	-	-	-
Pension deferrals	79,627	-	79,627	-	-	-	-
OPEB deferrals	4,341,540	134,274	4,475,814	9,144	-	-	-
Bond premium (net)	5,111,056	505,679	5,616,735	-	-	-	-
Total deferred inflows of resources	9,570,249	639,953	10,210,202	9,144	-	-	-
NET POSITION							
Net investment in capital assets	13,009,301	2,889,138	15,898,439	141,691	586,564	123,391	2,850,692
Restricted for:							
Fire protection	1,742,724	-	1,742,724	-	-	-	-
Emergency telephone	103,413	-	103,413	-	-	-	-
Coronavirus recovery	-	-	-	-	-	-	38,385
Cultural and recreation	18,113	-	18,113	-	18,361	-	-
Economic development	-	-	-	-	-	-	-
Stabilization by State statute	3,298,116	-	3,298,116	-	-	19,019	-
Working capital	-	-	-	76,352	-	-	-
Unrestricted	(55,469,466)	(178,159)	(55,647,625)	(10,963)	40,033	235,682	653,434
Total net position	\$ (37,297,799)	\$ 2,710,979	\$ (34,586,819)	\$ 207,080	\$ 644,958	\$ 378,092	\$ 3,542,511

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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission	Scotland County Tourism Development Authority	Scotland County Economic Development Corporation
Primary government:											
Governmental activities:											
General government	3,032,740	1,085,287	-	-	(1,947,453)	-	(1,947,453)	-	-	-	-
Public safety	10,344,440	2,126,114	-	-	(8,218,326)	-	(8,218,326)	-	-	-	-
Economic and physical development	1,439,451	-	-	1,962,915	523,464	-	523,464	-	-	-	-
Central service	2,231,561	-	-	-	(2,231,561)	-	(2,231,561)	-	-	-	-
Human services	11,588,439	122,651	6,755,900	-	(4,709,888)	-	(4,709,888)	-	-	-	-
Cultural and recreational	1,319,111	96,372	-	-	(1,222,739)	-	(1,222,739)	-	-	-	-
Education	11,052,168	-	-	-	(11,052,168)	-	(11,052,168)	-	-	-	-
Contribution to local organizations (construction)	16,463,942	-	-	-	(16,463,942)	-	(16,463,942)	-	-	-	-
Interest on long-term debt	1,871,788	-	-	-	(1,871,788)	-	(1,871,788)	-	-	-	-
Total governmental activities	59,343,640	3,430,424	6,755,900	1,962,915	(47,194,401)	-	(47,194,401)	-	-	-	-
Business-type activities:											
Public Works	2,612,797	2,716,658	121,886	-	-	225,747	225,747	-	-	-	-
Water District Phase I	900,381	848,029	-	-	-	(52,352)	(52,352)	-	-	-	-
Water District Phase II	641,473	696,280	-	-	-	54,807	54,807	-	-	-	-
Total business-type activities	4,154,651	4,260,967	121,886	-	-	228,202	228,202	-	-	-	-
Component units:											
ABC Board	-	-	-	-	-	-	-	(50)	-	-	-
Historic Properties	-	-	-	-	-	-	-	-	(24,963)	-	-
Scotland County Tourism Development	-	-	-	-	-	-	-	-	-	(358,811)	-
Scotland County Economic Development Corp.	-	-	-	-	-	-	-	-	-	-	339,440
Total component units	-	-	-	-	-	-	-	(50)	(24,963)	(358,811)	339,440

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, 2020

	Net (Expense) Revenue and Changes in Net Position						
	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission	Scotland County Tourism Development Authority	Scotland County Economic Development Corporation
General revenues:							
Taxes:							
Property taxes, levied for general purpose	\$ 23,267,267	\$ -	\$ 23,267,267	\$ -	\$ -	\$ -	\$ -
Local option sales tax	7,707,612	-	7,707,612	-	-	304,448	-
Other taxes and licenses	687,747	78,978	766,725	-	-	-	-
Investment earnings, unrestricted	450,999	-	450,999	50	245	-	5,123
Miscellaneous, unrestricted	2,060,906	165,724	2,226,630	-	(27,080)	-	-
Total general revenues, special items, and transfers	<u>34,174,531</u>	<u>244,702</u>	<u>34,419,233</u>	<u>50</u>	<u>(26,835)</u>	<u>304,448</u>	<u>5,123</u>
Change in net position	(13,019,870)	472,905	(12,546,965)	-	(51,798)	(54,363)	344,563
Restatement	(662,578)	-	(662,578)	-	-	-	-
Net position, beginning	<u>(23,615,351)</u>	<u>2,238,075</u>	<u>(21,377,276)</u>	<u>207,080</u>	<u>696,756</u>	<u>432,455</u>	<u>3,197,947</u>
Net position-ending	<u>\$ (37,297,799)</u>	<u>\$ 2,710,979</u>	<u>\$ (34,586,819)</u>	<u>\$ 207,080</u>	<u>\$ 644,958</u>	<u>\$ 378,092</u>	<u>\$ 3,542,510</u>

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, 2020

Exhibit 3

	Major			Non-Major	Total
	General	School Wings Construction	South Johnson School Construction	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 11,565,499	\$ -	\$ -	\$ 1,186,540	\$ 12,752,039
Restricted cash	-	607,463	3,398,727	2,627,600	6,633,790
Receivables (net)					
Taxes	2,477,504	-	-	72,504	2,550,008
Accounts	169,565	-	-	-	169,565
Due from other governments	2,282,590	633	421,042	669,786	3,374,051
Due from other funds	751,168	-	-	(751,168)	-
Prepaid expense	9,682	-	-	-	9,682
Total assets	<u>\$ 17,256,008</u>	<u>\$ 608,096</u>	<u>\$ 3,819,769</u>	<u>\$ 3,805,262</u>	<u>\$ 25,489,135</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	1,056,979	-	1,063,967	433	2,121,379
Advance of COVID-19 funding	-	-	-	762,916	762,916
Due to other funds	121,886	-	-	-	121,886
Retainage payable	-	-	1,127,197	-	1,127,197
Total liabilities	<u>1,178,865</u>	<u>-</u>	<u>2,191,164</u>	<u>763,349</u>	<u>4,133,378</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	2,477,504	-	-	72,504	2,550,008
Prepaid taxes	38,026	-	-	-	38,026
Total deferred inflows of resources	<u>2,515,530</u>	<u>-</u>	<u>-</u>	<u>72,504</u>	<u>2,588,034</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenses	9,682	-	-	-	9,682
Restricted:					
Stabilization by State statute	3,203,329	633	421,042	94,787	3,719,791
Fire protection	-	-	-	1,742,724	1,742,724
Emergency telephone	-	-	-	103,413	103,413
Capital outlay	-	607,463	1,207,563	18,113	1,833,139
Coronavirus	-	-	-	-	-
Committed:					
Tax revaluation	-	-	-	376,100	376,100
Assigned:					
Capital outlay	-	-	-	634,345	634,345
Subsequent year's appropriation	1,525,000	-	-	-	1,525,000
Unassigned:					
Total fund balances	<u>13,561,613</u>	<u>608,096</u>	<u>1,628,605</u>	<u>2,969,409</u>	<u>18,767,723</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,256,008</u>	<u>\$ 608,096</u>	<u>\$ 3,819,769</u>	<u>\$ 3,805,262</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:					
Total fund balance, governmental funds					18,767,723
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					13,916,015
Net pension liability (LRS)					(4,651,394)
Net pension asset - register of deeds					53,246
Other retirement liabilities for (LEO)					(586,738)
Net OPEB liability					(20,212,428)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position					2,896,571
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position					72,635
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position					897,090
Deferred inflows of resources for taxes and special assessments receivable					2,550,008
Pension related deferrals					(79,627)
OPEB related deferrals					(4,341,540)
Bond premium (deferred inflow of resources) net of accumulated amortization					(5,111,056)
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds					(41,468,304)
Net position of governmental activities					<u>\$ (37,297,799)</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major		Non-Major		Total
	General Fund	School Wings Project Fund	South Johnson School Project Fund	Other Governmental Funds	
REVENUES					
Ad valorem taxes	\$ 22,523,273	\$ -	\$ -	\$ 674,304	\$ 23,197,577
Local option sales taxes	7,374,962	-	-	332,650	7,707,612
Other taxes and licenses	49,610	-	-	436,477	486,087
Unrestricted intergovernmental	201,660	-	-	-	201,660
Restricted intergovernmental	7,883,859	-	-	-	7,883,859
Permits and fees	460,013	-	-	-	460,013
Sales and services	2,808,950	-	-	-	2,808,950
Investment earnings	229,542	16,061	198,939	6,452	450,994
Fines, forfeitures	115,340	-	-	-	115,340
Grants	66,080	-	-	1,199,999	1,266,079
Miscellaneous	526,327	-	-	-	526,327
Total revenues	42,239,616	16,061	198,939	2,649,882	45,104,498
EXPENDITURES					
Current:					
General government	2,734,709	-	-	436,064	3,170,773
Public safety	9,278,139	-	-	-	9,278,139
Economic & physical development	1,475,750	-	-	-	1,475,750
Central service	2,405,466	-	-	-	2,405,466
Human services	11,185,480	-	-	-	11,185,480
Cultural and recreational	1,197,744	-	-	-	1,197,744
School construction	-	96,300	13,992,127	-	14,088,427
Other expenditures	198,090	-	-	134,221	332,311
Intergovernmental:					
Education	11,051,239	-	-	-	11,051,239
Capital outlay	-	-	-	2,762,417	2,762,417
Debt service:					
Principal retirement	1,274,478	-	-	-	1,274,478
Interest	1,871,788	-	-	-	1,871,788
Total expenditures	42,672,883	96,300	13,992,127	3,332,702	60,094,012
Excess of revenues (under) expenditures	(433,266)	(80,239)	(13,793,188)	(682,820)	(14,989,513)
OTHER FINANCING SOURCES (USES)					
Sale of property	481,343	-	-	354,000	835,343
Transfers (to) other funds	(813,900)	(60,254)	(90,050)	(12,133)	(976,337)
Transfers from other funds	153,173	-	-	823,164	976,337
Proceeds from bond issuance	-	-	-	575,000	575,000
Total other financing sources (uses)	(179,384)	(60,254)	(90,050)	1,740,031	1,410,343
Net change in fund balance	(612,649)	(140,493)	(13,883,238)	1,057,211	(13,579,169)
Fund balances - beginning	14,174,262	748,589	15,511,843	1,912,198	32,346,892
Fund balances - ending	<u>\$ 13,561,613</u>	<u>\$ 608,096</u>	<u>\$ 1,628,605</u>	<u>\$ 2,969,409</u>	<u>\$ 18,767,723</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ (13,579,169)
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.	16,590,010
Transfer of school construction in process to local school authority	(13,808,958)
Transfer of building to local community college	(2,538,535)
Transfer of capital project to other entity	(116,449)
Cost of capital assets disposed of during the year and other differences not recognized on the modified accrual basis	185,248
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,158,753
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	71,167
Contribution and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	743,574
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	69,690
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	699,478
Effects of bond premium (net of amortization)	57,922
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(2,552,602)</u>
Total changes in net position of governmental activities	<u>\$ (13,019,870)</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2020

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 22,364,203	\$ 22,627,203	\$ 22,523,273	\$ (103,930)
Local option sales taxes	7,122,352	7,207,476	7,374,962	167,486
Other taxes and licenses	55,000	55,000	49,610	(5,390)
Unrestricted intergovernmental	190,000	192,000	201,660	9,660
Restricted intergovernmental	8,900,120	8,718,461	7,883,859	(834,602)
Permits and fees	500,160	500,210	460,013	(40,197)
Sales and services	1,694,721	2,806,296	2,808,950	2,654
Investment earnings	269,000	267,215	229,542	(37,673)
Fines, forfeitures	135,000	135,000	115,340	(19,660)
Miscellaneous	878,982	647,007	592,407	(54,600)
Total revenues	42,109,538	43,155,868	42,239,616	(916,252)
Expenditures:				
Current:				
General government	3,075,788	3,000,810	2,734,709	266,101
Public safety	8,520,640	9,675,793	9,278,139	397,654
Economic and physical development	1,937,093	1,577,099	1,475,750	101,349
Central services	3,651,779	2,555,447	2,405,466	149,981
Human services	11,438,804	11,724,807	11,185,480	539,327
Cultural and recreational	1,293,790	1,379,352	1,197,744	181,608
Other expenditures	177,332	198,847	198,090	757
Intergovernmental:				
Education	10,529,895	11,070,021	11,051,239	18,782
Debt service:				
Principal retirement	1,274,478	1,274,478	1,274,478	-
Interest	1,849,666	1,871,792	1,871,788	4
Total expenditures	43,749,265	44,328,446	42,672,883	1,655,563
Excess of revenues (under) expenditures	(1,639,727)	(1,172,578)	(433,266)	739,311
Other financing sources (uses):				
Sale of capital assets	-	-	481,343	481,343
Transfers (to) other funds	-	(813,900)	(813,900)	-
Transfers from other funds	-	-	153,173	153,173
Total other financing sources (uses)	-	(813,900)	(179,384)	634,516
Appropriated fund balance	1,639,727	1,986,477	-	(1,986,477)
Net change in fund balance	\$ -	\$ -	(612,649)	\$ (612,650)
Fund balances - beginning			14,174,262	
Fund balances - ending			<u>\$ 13,561,613</u>	

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

Scotland County, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2020

	Enterprise Funds			Total
	Public Works Fund	Blended Component Units		
		Water District I Fund	Water District II Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 921,628	\$ 996,086	\$ 488,246	\$ 2,405,960
Accounts receivable, net	162,811	82,671	69,009	314,491
Due from General Fund	121,886	-	-	121,886
Due from other governments	21,577	40,882	68,703	131,162
Total current assets	<u>1,227,902</u>	<u>1,119,639</u>	<u>625,958</u>	<u>2,973,499</u>
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	501,321	-	-	501,321
Other capital assets, net of depreciation	965,778	2,046,403	4,866,315	7,878,496
Total capital assets	<u>1,467,099</u>	<u>2,046,403</u>	<u>4,866,315</u>	<u>8,379,817</u>
Total assets	<u>2,695,001</u>	<u>3,166,042</u>	<u>5,492,273</u>	<u>11,353,316</u>
Deferred outflows of resources				
Pension deferrals	90,346	30,115	-	120,461
OPEB deferrals	18,497	9,248	-	27,745
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	130,407	51,989	-	182,396
Limited obligation bonds payable	-	50,000	95,000	145,000
Total current liabilities	<u>130,407</u>	<u>101,989</u>	<u>95,000</u>	<u>327,396</u>
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	2,123,314	-	-	2,123,314
Compensated absences payable	40,945	-	-	40,945
Net pension liability	145,356	48,452	-	193,808
Net OPEB liability	416,751	208,376	-	625,127
Limited obligation bonds payable	-	1,160,000	3,680,000	4,840,000
Total noncurrent liabilities	<u>2,726,366</u>	<u>1,416,828</u>	<u>3,680,000</u>	<u>7,823,194</u>
Total liabilities	<u>2,856,773</u>	<u>1,518,817</u>	<u>3,775,000</u>	<u>8,150,590</u>
Deferred inflows of resources				
OPEB deferrals	89,516	44,758	-	134,274
Bond premium (net)	-	184,501	321,178	505,679
NET POSITION				
Net investment in capital assets	1,467,099	651,901	770,138	2,889,138
Unrestricted	(1,609,544)	805,428	625,957	(178,159)
Total net position	<u>\$ (142,445)</u>	<u>\$ 1,457,329</u>	<u>\$ 1,396,095</u>	<u>\$ 2,710,979</u>

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

Scotland County, North Carolina
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds			Total
	Blended Component Units			
	Public Works Fund	Water District I Fund	Water District II Fund	
Operating revenues:				
Charges for services	\$ 1,681,407	\$ 827,595	\$ 696,280	\$ 3,205,282
Availability fees	1,020,949	-	-	1,020,949
Other operating revenues	14,303	20,434	-	34,737
Total operating revenues	<u>2,716,659</u>	<u>848,029</u>	<u>696,280</u>	<u>4,260,968</u>
Operating expenses:				
Water purchases	-	383,315	159,803	543,118
Water operations	-	332,743	121,341	454,084
Landfill operations	2,368,081	-	-	2,368,081
Landfill closure and postclosure care costs	75,395	-	-	75,395
Depreciation	169,321	126,892	201,280	497,493
Total operating expenses	<u>2,612,797</u>	<u>842,950</u>	<u>482,424</u>	<u>3,938,171</u>
Operating income	103,862	5,079	213,856	322,797
Nonoperating revenues (expenses):				
Solid waste disposal tax	17,428	-	-	17,428
Scrap tire disposal tax	49,642	-	-	49,642
White goods disposal tax	11,908	-	-	11,908
Surplus property	10,752	-	-	10,752
Recycling	1,736	-	-	1,736
Grant revenue	121,886	-	-	121,886
Bond premium amortization	-	4,013	72,223	76,236
Interest (expense)	-	(57,431)	(159,049)	(216,480)
Total nonoperating revenues (expenses)	<u>213,352</u>	<u>(53,418)</u>	<u>(86,826)</u>	<u>73,108</u>
Income (loss) before contributions transfers and recoveries	<u>317,214</u>	<u>(48,339)</u>	<u>127,030</u>	<u>395,905</u>
Contributions from capital projects	400,000	-	-	400,000
Insurance recovery	77,000	-	-	77,000
Transfers (to) other funds	(400,000)	-	-	(400,000)
Change in net position	394,214	(48,339)	127,030	472,905
Total net position - beginning	<u>(536,658)</u>	<u>1,505,668</u>	<u>1,269,065</u>	<u>2,238,075</u>
Total net position - ending	<u>\$ (142,444)</u>	<u>\$ 1,457,329</u>	<u>\$ 1,396,095</u>	<u>2,710,979</u>

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

Scotland County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities Enterprise Funds			Total
	Public Works Fund	Water District I Fund	Water District II Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 2,768,648	\$ 863,982	\$ 659,671	\$ 4,292,301
Cash paid for goods and services	(1,926,135)	(692,121)	(215,673)	(2,833,929)
Cash paid to or on behalf of employees for services	(574,780)	(18,728)	-	(593,508)
Net cash provided by operating activities	267,733	153,133	443,998	864,864
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other Funds	(400,000)	-	-	(400,000)
Net cash flows (used in) financing activities	(400,000)	-	-	(400,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(575,276)	(16,765)	-	(592,041)
Capital contributions	400,000	-	-	400,000
Insurance recovery	77,000	-	-	77,000
Interest paid on bond maturities and equipment contracts	-	(57,431)	(159,049)	(216,480)
Principal paid on bond maturities and equipment contracts	-	(50,000)	(90,000)	(140,000)
Net cash (used in) capital and related financing activities	(98,276)	(124,196)	(249,049)	(471,521)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash from surplus property	10,752	-	-	10,752
Net increase (decrease) in cash and cash equivalents	(219,791)	28,937	194,949	4,095
Balances - beginning of the year	1,141,419	967,149	293,297	2,401,865
Balances - end of the year	<u>\$ 921,628</u>	<u>\$ 996,086</u>	<u>\$ 488,246</u>	<u>\$ 2,405,960</u>

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

Scotland County, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities Enterprise Funds			Total
	Public Works Fund	Water District I Fund	Water District II Fund	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 103,862	\$ 5,079	\$ 213,856	\$ 322,797
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	169,321	126,892	201,280	497,493
Provision for uncollectible accounts	2,422	1,133	471	4,026
Landfill closure and postclosure care costs	75,395	-	-	75,395
Changes in assets, liabilities and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	(39,476)	15,954	28,391	4,869
Decrease in prepaid items	1,823	-	-	1,823
Decrease in deferred outflows of resources - pensions	10,444	3,481	-	13,925
(Increase) in deferred outflows of resources - OPEB	(566)	(283)	-	(849)
(Decrease) in net OPEB liability	(47,329)	(23,665)	-	(70,994)
Increase in net pension liability	20,879	6,960	-	27,839
(Decrease) in deferred inflows of resources - pensions	(644)	(215)	-	(859)
Increase in deferred inflows of resources-OPEB	39,622	19,811	-	59,433
Increase (decrease) in accounts payable and accrued liabilities	(63,616)	1,912	-	(61,704)
(Decrease) in accrued vacation pay	(4,404)	(3,926)	-	(8,330)
Total adjustment	163,871	148,054	230,142	542,067
Net cash provided by operating activities	<u>\$ 267,733</u>	<u>\$ 153,133</u>	<u>\$ 443,998</u>	<u>\$ 864,864</u>

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

Scotland County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

Assets	
Cash and cash equivalents	<u>395,806</u>
Liabilities	
Miscellaneous liabilities	<u>395,806</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, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Scotland County Water District I	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Scotland County Water District II	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the District.	None issued.
Scotland County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Scotland County Historic Properties Commission	Discrete	The County's governing board appoints the members of the commission and has the ability to impose its will on the organization.	Scotland County Historic Properties Commission c/o Beth Hobbs, Treasurer P. O. Box 152 Laurinburg, NC 28353-0152
Scotland County ABC Board	Discrete	The members of the ABC Boards' governing board are appointed by the County. The ABC Board is required by State Statute to distribute its surpluses to the General Fund of the County.	Scotland County ABC Board 224 Lauchwood Drive Laurinburg, NC 28352
Scotland County Tourism Development Authority	Discrete	The County's governing board appoints the members of the authority and the ability to impose its will on the organization.	Scotland County TDA 507 W. Covington Street Laurinburg, NC 28352 Cory Hughes, Executive Director
Scotland County Economic Development Corporation	Discrete	The County's governing board appoints the members of the authority and the ability to impose its will on the organization.	Scotland County Economic Development Corporation 517 Peden Street Laurinburg, NC 28352

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

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

The County reports the following major governmental funds:

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

School Construction Funds. These funds account for the construction of school wings and a new school.

The County reports the following major enterprise funds:

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

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

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

The County reports the following fund types:

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

Nonmajor Funds. The County maintains twelve legally budgeted funds. Fire Service District Fund, Revaluation Fund, Emergency Telephone System Fund, Disaster Recovery, Coronavirus, and Technology are reported as nonmajor special revenue funds. Morgan Center Project Fund, Capital Reserve Fund, CDBG Mountaire Project Fund, Edwards Wood Project Fund, Facilities Parking Lot and Covington Street School Project are reported as nonmajor capital project funds.

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

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

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

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

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

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

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

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

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

C. Budgetary Data

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

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

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

1. Deposits and Investments

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

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

The majority of the County, the ABC Board, the Tourism Development Authority, the Economic Development Corporation, and the Historic Properties Commission's investments are carried at fair value. The securities of the NCCMT Government Portfolio, a SEC-registered 2a-7 external investment pool, are measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

2. Cash and Cash Equivalents

The County pools moneys from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are considered cash and cash equivalents. The ABC Board, Scotland County Tourism Development Authority, Scotland County Economic Development Corporation, and Scotland County Historic Properties Commission consider demand deposits and investments with a maturity date of three months or less, at the time of purchase, to be cash and cash equivalents.

2.a Restricted Assets

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

Scotland County Restricted Cash

Governmental Activities:	
School Construction Funds	4,006,190
Coronavirus Recovery Fund	762,916
Mountaire Project Fund	18,113
Fire Service District Fund	1,742,724
Emergency Telephone System Fund	<u>103,847</u>
Total Restricted Cash	<u>6,633,790</u>

3. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

4. Allowances for Doubtful Accounts

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

5. Inventories and Prepaid Items

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

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

6. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows: Land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; and computer software and computer equipment, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

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

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

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

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

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

7. Deferred Outflows/Inflows of Resources

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

8. Long-term Obligations

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

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

9. Compensated Absences

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

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

10. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

-Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

-Restricted for Emergency Telephone System Fund.

-Restricted for Mountaire Capital Project.

-Restricted for School Construction.

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

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

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

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

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

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

11. Defined Benefit Pension Plans

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

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the government-wide statement of net position. The net adjustment of \$56,065,522 consists of the following:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 27,669,237
Less accumulated depreciation	(13,753,222)
Net capital assets	13,916,015
Net pension asset-ROD	53,246
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,896,571
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	72,635
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	897,090
Deferred inflows of resources reported in the government-wide statements but not the fund statements:	
Deferred inflows of resources for taxes and special assessments receivable	2,550,008
Deferred inflows of resources for bond premiums net of accumulated amortization	(5,111,056)
Deferred inflows pension related deferrals	(79,627)
Deferred inflows OPEB related deferrals	(4,341,540)
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	(40,521,714)
Compensated absences	(946,589)
Net pension liability-LGERS	(4,651,394)
Net OPEB liability	(20,212,428)
Total pension liability (LEOSSA)	(586,738)
Total adjustment	\$ (56,065,522)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. Total adjustment of \$559,298 is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities.	\$ 18,040,376
Transfer of construction in process to local school authority-school construction project	(13,808,958)
Transfer of building to local community college	(2,538,535)
Transfer of capital project to local entity	(116,449)
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not in the fund statements.	(1,450,366)
Cost of capital asset disposed of during the year, not recognized on modified accrual.	185,248
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Position in the government-wide statements.	1,274,478
New debt, issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities- it affects only the government-wide statements of net position	(575,000)
Bond premium amortization	57,922
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,158,753
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	71,167
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	743,574
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Compensated absences	(13,718)
OPEB expense	(342,357)
Pension expense-LGRS	(2,143,751)
-LEOSSA	(52,776)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Decrease in deferred inflows of resources - taxes receivable - at year end	69,690
Total adjustment	<u>\$ 559,298</u>

II. Stewardship, Compliance, and Accountability

Late Submission of Audited Financial Statements and AFIR

The County was significantly late submitting its annual independent audit in accordance with LGC-205 (Contract to Audit Accounts) and G.S. 159-34 of the Local Government Budget and Fiscal Control Act. The Local Government Commission requires audited financial statements and the AFIR to be submitted within four months of the fiscal year end. See material weakness 2020-001.

Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2020, expenditures made in the General Fund exceeded the authorized appropriations made by the governing board. Management and the board will more closely review the budget reports to ensure compliance in future years. See significant deficiency 2020-003.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

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

At June 30, 2020, the County's deposits had a carrying amount of \$22,184,667 and a bank balance of \$22,828,335. Of the bank balance \$250,000 was covered by federal depository insurance, and \$250,000 in non-interest bearing deposits and \$19,428,183 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2020, Scotland County had \$2,925 cash on hand.

At June 30, 2020, the carrying amount of deposits for Scotland County ABC Board was \$378,377 and the bank balance was \$373,209. All of the bank balance was covered by federal depository insurance. Of the bank balance \$373,209 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2020, the carrying amount of deposits for Scotland Co. Historic Properties Comm. was \$58,394 and the bank balance was \$58,394. All of the bank balance was covered by federal depository insurance.

At June 30, 2020, the carrying amount of deposits for Scotland Co. Tourism Dev. Authority was \$224,844 and the bank balance was \$224,844. Of the bank balance \$224,844 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2020, the carrying amount of deposits for Scotland Co. Economic Dev. Corporation was \$692,852 and the bank balance was \$706,561. Of the bank balance \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Investments

At June 30, 2020, the County had the following investments and maturities:

Investment By Type	Valuation Measurement Method	Fair Value	Less than 6 Months
NC Capital Management Trust-Government Portfolio	Fair Value Level 1	11,259,283	11,259,283
NC Capital Management Trust-Term Portfolio*	Fair Value Level 1	4,173,562	4,173,562
Total:		\$ 15,432,845	\$ 15,432,845

*As of June 30, 2020, the NCCMT Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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

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

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

Credit Risk. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poors as of June 30, 2020. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statute 159-30 as amended. The County has no policy on credit risk.

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

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

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

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

<u>Tax Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2017	826,735	196,350	1,023,085
2018	806,413	118,946	925,359
2019	816,805	46,966	863,771
2020	1,025,413	-	1,025,413
Totals	3,475,366	362,262	3,837,628

4. Receivables

Receivables at the government-wide level at June 30, 2020, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from other Governments	Total
Governmental activities:				
General	\$ 169,565	\$ 2,607,899	\$ 2,282,590	\$ 5,060,054
Other governmental	-	72,504	1,091,461	1,163,965
Total receivables	169,565	2,680,403	3,374,051	6,224,019
Allowance for doubtful accounts	-	(130,395)	-	(130,395)
Total - governmental activities	\$ 169,565	\$ 2,550,008	\$ 3,374,051	\$ 6,354,414
Business-type activities:				
Public works	\$ 170,815	\$ -	\$ 21,577	\$ 192,392
Water district I	92,888	-	40,882	133,770
Water district II	75,388	-	68,703	144,091
Total receivables	339,092	-	131,162	470,253
Allowance for doubtful accounts	(24,601)	-	-	(24,601)
Total - business-type activities	\$ 314,491	\$ -	\$ 131,162	\$ 445,652

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

Local option sales tax/sales tax refunds	\$ 1,297,297
Due from grantors	2,207,916
	<u>\$ 3,505,213</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 307,972	\$ 197,335	\$ 32,542	\$ 472,765
Construction in progress	41,772	695,379	23,091	714,060
Total capital assets not being depreciated	349,744	892,714	55,633	1,186,825
Capital assets being depreciated:				
Buildings & improvements	16,570,678	15,736,150	16,739,985	15,566,843
Equipment and furniture	2,994,935	168,459	-	3,163,394
Vehicles and motorized equipment	7,047,033	1,266,144	561,002	7,752,175
Total capital assets being depreciated	26,612,646	17,170,753	17,300,987	26,482,412
Less accumulated depreciation for:				
Buildings & improvements	7,030,956	647,335	543,131	7,135,160
Equipment and furniture	1,968,658	268,795	-	2,237,453
Vehicles and motorized equipment	4,368,078	534,235	521,704	4,380,609
Total accumulated depreciation	13,367,692	1,450,365	1,064,835	13,753,222
Total capital assets being depreciated, net	13,244,954			12,729,190
Governmental activity capital assets, net	\$ 13,594,698			\$ 13,916,015

Primary Government

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

General government	\$ 286,814
Public safety	744,833
Central service	55,865
Human services	194,514
Economic and physical development	7,054
Cultural and recreational	161,286
Total depreciation expense	<u>\$ 1,450,366</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Landfill				
Capital assets not being depreciated:				
Land	\$ 314,334	\$ -	\$ -	\$ 314,334
Work in progress	-	186,987	-	186,987
	<u>314,334</u>	<u>186,987</u>	<u>-</u>	<u>501,321</u>
Capital assets being depreciated:				
Buildings	867,187	-	-	867,187
Improvements	366,747	-	-	366,747
Equipment and furniture	112,959	25,240	-	138,199
Vehicles and motorized equipment	1,754,157	363,050	105,787	2,011,420
Total capital assets being depreciated	<u>3,101,050</u>	<u>388,290</u>	<u>105,787</u>	<u>3,383,553</u>
Less accumulated depreciation for:				
Buildings	864,929	2,258	-	867,187
Improvements	276,713	7,714	-	284,427
Equipment and furniture	50,246	10,018	-	60,264
Vehicles and motorized equipment	1,150,148	149,331	93,582	1,205,897
Total accumulated depreciation	<u>2,342,036</u>	<u>169,321</u>	<u>93,582</u>	<u>2,417,775</u>
Total capital assets being depreciated, net	<u>759,014</u>			<u>965,778</u>
Landfill capital assets, net	<u>\$ 1,073,348</u>			<u>\$ 1,467,099</u>
Scotland County Water District I				
Capital assets not being depreciated:				
Work in progress	\$ -	-	-	\$ -
Capital assets being depreciated:				
Plant and distribution systems	4,757,446	16,765	-	4,774,211
Furniture and maintenance equipment	8,592	-	-	8,592
Total capital assets being depreciated	<u>4,766,038</u>	<u>16,765</u>	<u>-</u>	<u>4,782,803</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,604,426	126,033	-	2,730,459
Furniture and maintenance equipment	5,083	859	-	5,942
Total accumulated depreciation	<u>2,609,509</u>	<u>126,892</u>	<u>-</u>	<u>2,736,401</u>
Total capital assets being depreciated, net	<u>2,156,529</u>			<u>2,046,402</u>
Scotland County Water District I capital assets, net	<u>\$ 2,156,529</u>			<u>\$ 2,046,402</u>
Scotland County Water District II				
Capital assets not being depreciated:				
Work in progress	\$ -	-	-	\$ -
Capital assets being depreciated:				
Plant and distribution systems	7,600,238	-	-	7,600,238
Total capital assets being depreciated	<u>7,600,238</u>	<u>-</u>	<u>-</u>	<u>7,600,238</u>
Less accumulated depreciation for:				
Plant and distribution systems	2,532,643	201,280	-	2,733,923
Total accumulated depreciation	<u>2,532,643</u>	<u>201,280</u>	<u>-</u>	<u>2,733,923</u>
Total capital assets being depreciated, net	<u>5,067,595</u>			<u>4,866,315</u>
Scotland County Water District II capital assets, net	<u>5,067,595</u>			<u>4,866,315</u>
Business-type activities capital assets, net	<u>\$ 8,297,472</u>			<u>\$ 8,379,816</u>

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 19,000	\$ -	\$ -	\$ 19,000
Capital assets being depreciated:				
Buildings	241,080	-	-	241,080
Furniture and equipment	<u>34,682</u>	<u>-</u>	<u>-</u>	<u>34,682</u>
Total capital assets being depreciated	275,762			275,762
Less accumulated depreciation for:				
Buildings	123,403	6,782	-	130,185
Furniture & equipment	<u>21,099</u>	<u>1,787</u>	<u>-</u>	<u>22,886</u>
Total accumulated depreciation	<u>144,502</u>	<u>8,569</u>	<u>-</u>	<u>153,071</u>
Total capital assets being depreciated, net	<u>131,260</u>			<u>122,691</u>
Capital assets, net	<u>\$ 150,260</u>			<u>\$ 141,691</u>

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 215,000	\$ -	\$ 20,000	\$ 195,000
Artifacts	5,000	-	-	5,000
Historic buildings	<u>71,053</u>	<u>-</u>	<u>50,000</u>	<u>21,053</u>
Total capital assets not being depreciated	291,053	-	70,000	221,053
Capital assets being depreciated:				
Buildings	613,401	-	-	613,401
Furniture and equipment	<u>226,738</u>	<u>10,000</u>	<u>-</u>	<u>236,738</u>
Total capital assets being depreciated	840,139	10,000	-	850,139
Less accumulated depreciation for:				
Buildings	285,721	20,649	-	306,370
Equipment	<u>166,709</u>	<u>10,080</u>	<u>-</u>	<u>176,789</u>
Total accumulated depreciation	<u>452,430</u>	<u>30,729</u>	<u>-</u>	<u>483,159</u>
Total capital assets being depreciated, net	<u>387,709</u>			<u>366,980</u>
Commission capital assets, net	<u>\$ 678,762</u>			<u>\$ 588,033</u>

Activity for the Scotland County Economic Development Corporation for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,559,966	\$ 379,379	\$ -	\$ 1,939,345
Spec Buildings	131,148	-	131,148	-
Construction in progress	56,980	-	56,980	-
Total capital assets not being depreciated	1,748,094	379,379	188,128	1,939,345
Capital assets being depreciated:				
Buildings	2,629,423	180,614	-	2,810,037
Furniture and equipment	19,903	-	-	19,903
Total capital assets being depreciated	2,649,326	180,614	-	2,829,940
Less accumulated depreciation for:				
Buildings	211,732	79,778	-	291,510
Furniture & equipment	19,903	-	-	19,903
Total accumulated depreciation	231,635	79,778	-	311,413
Total capital assets being depreciated, net	2,417,691			2,518,527
Capital assets, net	\$ 4,165,785			\$ 4,457,872

Activity for the Tourism Development Authority for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated and amortized:				
Improvements other than buildings	\$ 135,522	\$ -	\$ -	\$ 135,522
Land lease - right to use	-	34,570	-	34,570
Total capital assets being depreciated and amortized	135,522	34,570	-	170,092
Less accumulated depreciation and amortization for:				
Improvements other than buildings	2,259	9,035	-	11,294
Land lease - right to use	-	5,185	-	5,185
Total accumulated depreciation and amortization	2,259	14,220	-	16,479
Total capital assets being depreciated and amortized, net	133,264			153,613
Governmental activity capital assets, net	\$ -			\$ 153,613

B. Liabilities

1. Payables & Accrued Liabilities

Payables at the government-wide level at June 30, 2020 were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental activities:				
General	\$ 253,516	\$ 803,464	\$ -	\$ 1,056,980
Other governmental	2,954,513	-	-	2,954,513
Total - governmental activities	\$ 3,208,029	\$ 803,464	\$ -	\$ 4,011,493
Business-type activities:				
Public works	\$ 106,189	\$ 24,218	\$ -	\$ 130,407
Water and sewer districts	51,989	-	-	51,989
Total - business-type activities	\$ 158,178	\$ 24,218	\$ -	\$ 182,396

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2020, was 9.7% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,190,879 for the year ended June 30, 2020. Contributions to the pension plan from the ABC Board were \$17,365 for the same period.

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

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

At June 30, 2020, the County reported a liability of \$4,845,202 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of future payroll covered by the pension plan relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the County’s proportion was .177%, which was a decrease of .0025% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$2,213,509. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	829,621	-
Changes in assumptions	789,688	-
Net difference between projected and actual earnings on pension plan investments	118,181	-
Changes in proportion and differences between contributions and proportionate share of contributions	83,174	-
Employer contributions subsequent to the measurement Date	<u>1,190,879</u>	<u>-</u>
Total	<u>3,011,543</u>	<u>-</u>

\$3,011,543 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 891,955
2021	289,376
2022	491,201
2023	148,132
2024	-
Thereafter	<u>1,820,664</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the County's proportionate share of the net pension (asset) to changes in the discount rate. The following presents the County's proportionate share of the net pension (asset) calculated using the discount rate of 7 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease <u>(6%)</u>	Current Discount <u>Rate (7%)</u>	1% Increase <u>(8%)</u>
County's proportionate share of the net pension liability (asset)	11,081,863	4,845,202	(338,727)

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Scotland County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full time County law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>37</u>
Total	<u>43</u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actual cost method was used in the December 31, 2018 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

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

4. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$52,776 as benefits came due for the reporting period.

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

At June 30, 2020, the County reported a total pension liability of \$586,738. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the County recognized pension expense of \$52,776.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	11,094	60,093
Changes of assumptions	28,712	16,966
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>32,829</u>	-
Total	<u>72,635</u>	<u>77,059</u>

The County paid \$32,143 in benefit payments and \$686.25 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	(6,407)
2022	(6,407)
2023	(9,304)
2024	(12,375)
2025	(2,760)
Thereafter	-

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.26 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	<u>1 % Decrease (2.26%)</u>	<u>Discount Rate (3.26%)</u>	<u>1% Increase (4.26%)</u>
Total pension liability	632,321	586,738	545,227

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

	<u>2020</u>
Beginning balance	656,755
Service cost	35,658
Interest on the total pension liability	22,626
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(74,233)
Changes of assumptions or other inputs	16,238
Benefit payments	(70,306)
Other changes	-
Ending balance of the total pension liability	<u>586,738</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.64 percent at June 30, 2018 to 3.26 percent at June 30, 2019.

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

c. Supplemental Retirement Income Plan

1. For Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. The County contributed \$78,944 for the reporting year. No amounts were forfeited.

(2) Other than Law Enforcement Officers

All employees, other than law enforcement officers, employed by the County participate in a Supplemental Retirement Income Plan, a defined contribution pension plan. Employees who are enrolled in the Local Governmental Employees' Retirement System are eligible to participate in the Plan. For the year ended June 30, 2020, the governing body of the County authorized a contribution of 2 percent of employees' compensation to the Plan. Also, employees may make voluntary contributions to the Plan.

Total contributions for the year ended June 30, 2020 were \$427,418, which consisted of \$187,771 from the County and \$239,647 from the employees. The County's contributions and the employees' voluntary contributions represented 2 percent and 2.67 percent of the covered payroll amount, respectively.

d. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. For the year ended June 30, 2020, no match was authorized by the governing body of the County for employees' compensation to the Plan. Total employee contributions for the year ended June 30, 2020 was \$36,117.

e. Registers of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$2,583 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported an asset of \$48,452 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2019, the County's proportion was .2786%, which was a decrease of .01484% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the County recognized pension expense of \$5,856. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	2,568
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	545	-
Changes in proportion and differences between county contributions and proportionate share of contributions	2,362	-
County contributions subsequent to the measurement date	<u>2,583</u>	<u>-</u>
Total	<u>5,490</u>	<u>2,568</u>

\$2,583 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pension expense as follows:

Year ended June 30:

2020	465
2021	956
2022	(31)
2023	(1,052)
2024	-
Thereafter	<u>-</u>
	<u>338</u>

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2020 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3%. All rates of return and inflation are annualized.

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

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

	1% Decrease <u>(2.75%)</u>	Discount Rate (3.75 %)	1% Increase <u>(4.75%)</u>
County's proportionate share of the net pension liability (asset)	(3,587)	53,246	(2,049)

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

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

The net pension liability for LGERS and ROD was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2019, with an actuarial valuation date of December 31, 2018. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	4,845,202	(53,246)	-	4,791,956
Proportion of the Net Pension Liability (Asset)	.17742%	.26971%	-	-
Total Pension Liability	-	-	586,738	586,738
Pension Expense	2,213,509	5,856	52,776	2,272,141

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	829,621	-	11,094	840,715
Changes of assumptions	789,688	-	28,712	818,400
Net difference between projected and actual earnings on pension plan investments	118,181	545	-	118,726
Changes in proportion and differences between County contributions and proportionate share of contributions	83,174	2,362	-	85,536
County contributions (LGERS, ROD)/ benefit payments and administration costs (LEOSSA) subsequent to the measurement Date	1,190,879	2,583	32,829	1,226,291
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	-	2,568	60,093	62,661
Changes of assumptions	-	-	16,966	16,966
Changes in proportion and differences between County contributions and proportionate share of contributions	-	-	-	-

f. Other Post Employment Benefit:

Healthcare Benefits

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

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

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

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

For Retirees Hired on or after July 1, 2004

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

For Retirees Hired on or after January 1, 2012

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

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

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

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

Plan membership. At June 30, 2019 and June 30, 2020, the HCB Plan membership consisted of the following:

	<u>2019</u>	<u>2020</u>
Inactive plan members or beneficiaries currently receiving benefit payments	126	122
Active plan members	<u>306</u>	<u>313</u>
	<u>432</u>	<u>435</u>

Total OPEB Liability

The County's total OPEB liability of \$20,837,555 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.5 percent
Healthcare cost trend rates	Medical – 7%
	Prescription – 7%
	Admin Expenses - 3%

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	23,204,007
Changes for the year	
Service cost	475,045
Interest	888,266
Changes of benefit terms	-
Differences between expected and actual experience	(2,941,502)
Changes in assumptions or other inputs	(42,357)
Benefit payments	(745,904)
Net changes	(2,366,452)
Total OPEB liability as of June 30, 2020	<u>20,837,555</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.89% to 3.50%.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent or 1-percentage-point higher (4.50 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase</u>
Net OPEB liability	24,183,122	20,837,555	18,155,273

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

	<u>(Medical-6%, Prescription-6%, Admin Expenses- 2%)</u>	<u>Discount Rate (Medical-7%, Prescription 7%, Admin Expenses 3%)</u>	<u>(Medical - 8%, Prescription-8%, Admin Expenses 4%)</u>
Net OPEB liability	18,133,755	20,837,555	24,194,601

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

For the year ended June 30, 2020, the County recognized OPEB expense of \$342,357. At June 30, 2020, the County reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	156,270	2,486,161
Changes of assumptions or other inputs	-	1,989,653
Benefit payments and administrative costs made subsequent to the measurement date	<u>768,565</u>	<u>-</u>
Total	<u>924,835</u>	<u>4,475,814</u>

\$768,565 reported as deferred outflows of resources related to OPEB resulting from County contributions made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	(960,765)
2021	(960,765)
2022	(960,765)
2023	(718,350)
2024	(506,428)
Thereafter	(212,471)

g. Other Employment Benefits

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

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

State and federal laws and regulations require the County to place a final cover on its Patterson Road Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,123,314 reported as landfill closure and postclosure care liability at June 30, 2020 represents a cumulative amount reported to-date based on the use of 15% of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,583,290 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 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

4. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Bond premiums	-	5,616,735
Pensions - OPEB difference between expected and actual experience	996,985	2,548,822
Pensions - OPEB difference between projected and actual investment earnings	118,726	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	85,536	-
Pensions, OPEB - change in assumptions	818,400	2,006,619
Contributions to pension plan subsequent to measurement date (LGERS, ROD, LEO)	1,226,291	-
Benefit payments for the OPEB plan paid subsequent to measurement date	768,565	-
Prepaid taxes not yet earned (General)	-	38,026
Taxes receivable, net, less penalties (General)	-	2,550,008
Total	<u>4,014,503</u>	<u>12,760,210</u>

5. Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Claims, Judgments and Contingent Liabilities

At the date of this report, the County had three active lawsuits. In the opinion of the county attorney and county management, the lawsuits are in the early phases and projecting an outcome would be premature.

7. Long-Term Obligations
Installment Financing and Limited Obligation Indebtedness

a. Installment Financing Contracts

\$3,000,000 Wagram Primary Expansion QSCB
 first payment due July 15, 2011 in yearly installments
 through July 15, 2020. Interest is 5.420% but reimbursed
 with tax credits. 300,000

\$1,161,713 Guaranteed Energy Savings Contract
 first payment due November 7, 2014 in annual installments
 through November 7, 2030. Interest is 3.75% but
 reimbursed with tax credits. 906,714

\$575,000 North Carolina Department of Commerce
 first payment of \$57,500 due July 1, 2021 and then in
 nine subsequent annual installment payments on
 July 1 of each year until the debt is paid in full.
 Interest rate is 0%. 575,000

Total 1,781,714

b. Limited Obligation Bonds

\$13,380,000 Laurel Hill Elementary and Sycamore Lane
 Elementary Expansions
 First payment due December 1, 2018 in installments of
 \$75,000 to \$820,000 through December 1, 2037.
 Interest rates vary from 3.00% to 5.00%. 13,190,000

\$2,240,000 Morgan Center Renovation
 First payment due December 1, 2018 in installments of
 \$110,000 to \$115,000 through December 1, 2037.
 Interest rates vary from 3.00% to 5.00%. 2,010,000

\$23,540,000 South Johnson Elementary School
 First payment due December 1, 2020 in installments of
 \$800,000 to \$1,270,000 through December 1, 2038.
 Interest rates vary from 3.125% to 5.00%. 23,540,000

Total 38,740,000

TOTAL – GENERAL FUND 40,521,714

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

Water District Bonds outstanding at June 30, 2020 in the amount of \$4,985,000 are obligations of the water district, a blended component unit of the County and are not obligations of the County. In October 2017, the Water Districts refinanced the outstanding debt in order to reduce interest expense. Interest rates vary over the duration of the bonds from 3.125% to 5.0%. Payments and due dates on this debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	145,000	209,356
2022	155,000	201,856
2023	170,000	193,731
2024	170,000	185,231
2025	180,000	176,481
2026-2030	1,060,000	732,406
2031-2035	1,275,000	442,781
2036-2040	1,200,000	201,134
2041-2043	<u>630,000</u>	<u>31,559</u>
 TOTAL	 <u>\$ 4,985,000</u>	 <u>\$2,374,535</u>

At June 30, 2020, Scotland County had a legal debt margin of \$140,455,112.

c. Qualified School Construction Bond

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

The QSCB was executed in June 2011 for various property improvements for use by Scotland County Board of Education. The transaction required ten principal payments by the County of \$300,000 and ten annual interest payments at an interest rate of 5.420%. For Scotland County, the future minimum payments as of June 30, 2020, including \$16,260 of interest are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	300,000	16,260
Total	<u>\$ 300,000</u>	<u>\$ 16,260</u>

Installment Purchases:

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	55,796	34,002
2022	117,840	31,909
2023	122,620	29,647
2024	127,648	27,205
2025	132,934	24,574
2026-2030	753,841	76,111
2031	171,035	4,258
Total	<u>\$ 1,481,714</u>	<u>\$ 227,705</u>

Limited Obligation Bonds:

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	115,000	89,650
2022	115,000	83,900
2023	115,000	78,150
2024	110,000	72,525
2025	110,000	67,025
2026-2030	565,000	250,750
2031-2035	550,000	112,475
2036-2038	330,000	16,363
Total	<u>\$ 2,010,000</u>	<u>\$ 770,838</u>

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	1,590,000	1,676,088
2022	1,980,000	1,590,838
2023	2,090,000	1,489,088
2024	2,090,000	1,384,588
2025	2,085,000	1,280,213
2026-2030	10,135,000	4,850,063
2031-2035	9,675,000	2,464,309
2036-2038	7,085,000	483,413
Total	<u>\$ 36,730,000</u>	<u>\$ 15,218,600</u>

Debt related to capital activities - of the total governmental activities debt listed, only \$2,916,714 relates to assets the County holds title to.

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

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

In fiscal 2019, Scotland County issued a limited obligation bond in the total amount of \$26,477,817.50 which includes \$2,937,817.50 of bond premiums. Details of the bond issuance are as follows:

	School Project South Johnson
Bond proceeds	23,540,000.00
Net premium	<u>2,937,817.50</u>
	<u>26,477,817.50</u>

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

Details of the bond premium amortization are as follows:

	School Project School Wings	School Project South Johnson	Morgan Center Project Fund	Water District I	Water District II	Total
Bond premium	1,936,775.00	2,937,818.00	300,641.00	190,160.00	331,199.00	5,696,593.00
Beginning accumulated amortization	2,470.00	-	3,787.00	1,647.00	2,799.00	10,703.00
Current amortization	9,229.00	39,464.00	9,229.00	4,013.00	7,223.00	69,158.00
Ending accumulated amortization	11,699.00	39,464.00	13,016.00	5,660.00	10,022.00	79,861.00
Net bond premium	<u>1,925,076.00</u>	<u>2,898,354.00</u>	<u>287,625.00</u>	<u>184,500.00</u>	<u>321,177.00</u>	<u>5,616,732.00</u>

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, 2020.

	Beginning Balance	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 693,000	\$ -	\$ 693,000	\$ -	\$ -
Limited obligation debt	38,970,000	-	230,000	38,740,000	1,705,000
Installment financing	1,558,192	575,000	351,478	1,781,714	470,796
Compensated absences	932,871	697,032	683,314	946,589	-
Total OPEB liability	22,507,887	-	2,295,459	20,212,428	-
Net pension liability (LGERS)	3,983,257	668,137	-	4,651,394	-
Total pension liability-(LEO)	656,755	-	70,017	586,738	-
Total governmental activities	<u>\$ 69,301,962</u>	<u>\$ 1,940,169</u>	<u>\$ 4,323,268</u>	<u>\$66,918,863</u>	<u>\$ 2,175,796</u>
Business-type activities:					
Water and sewer districts					
Limited obligation bonds	5,125,000	-	140,000	4,985,000	209,356
Compensated absences	3,926	-	3,926	-	-
Net pension liability (LGERS)	41,492	6,960	-	48,452	-
Net OPEB liability	232,040	-	23,664	208,376	-
Total water and sewer activities	<u>5,402,458</u>	<u>6,960</u>	<u>167,590</u>	<u>5,241,828</u>	<u>209,356</u>
Landfill					
Accrued landfill closure and postclosure care costs	2,047,919	75,395	-	2,123,314	-
Compensated absences	45,348	12,736	17,139	40,945	-
Net pension liability (LGERS)	124,476	20,879	-	145,355	-
Net OPEB liability	464,080	-	47,329	416,751	-
Total landfill activities	<u>2,681,823</u>	<u>109,010</u>	<u>64,468</u>	<u>2,726,365</u>	<u>-</u>
Total business-type activities	<u>\$ 8,084,281</u>	<u>115,970</u>	<u>232,058</u>	<u>7,968,193</u>	<u>209,356</u>

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

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2020, consist of the following:

From the General Fund to the:

Capital Reserve Fund for equipment purchases	28,500
Technology Fund for purchase of software	170,000
Facilities Fund for repairs of buildings and parking lot	615,400
Total	<u>813,900</u>

From the School Wings Capital Project Fund to the:

General Fund to Service School Bond debt	60,254
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From the Morgan Center Capital project to the:

General Fund to Service Morgan Center Debt	2,870
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From the South Johnson School Construction project to the:

General Fund to Service Construction Debt	90,050
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From the Solid Waste fund to the:

Recycling center project	400,000
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Due To and From Interfunds and Other Governments

General Fund:

Due from capital projects for short term funding	\$751,168
Due to landfill for grant funds collected by the General Fund owed to Solid Waste Fund	(121,886)

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$13,916,015	\$ 8,379,817
Less: Long term debt	(906,714)	(4,985,000)
- Bond premiums	-	(505,679)
Add: Unspent bond proceeds	-	-
Net investment in capital assets	<u>\$13,009,301</u>	<u>\$ 2,889,138</u>

E. Fund Balance

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

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

Total fund balances - General Fund	\$13,561,613
Less:	
Nonspendable	9,682
Stabilization by State Statute	3,203,329
Appropriated fund balance in 2020-2021 budget	1,525,000
Remaining Fund Balance	8,823,602

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

IV. Jointly Governed Organization

The County, in conjunction with three other counties and twenty-three municipalities, established the Lumber River Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$30,588 to the Council during the fiscal year ended June 30, 2020.

Related Organizations

Richmond Community College, located at Hamlet, North Carolina, maintains a continuing education center in Laurinburg, North Carolina. The facility was deeded to Richmond Community College by the City of Laurinburg in 1987. Scotland County has no contractual obligation to provide financial support to Richmond Community College, has no equity interest but appoints two members of the governing board. The decision to honor requests for financial support by the college is discretionary with the Scotland County Board of Commissioners and is considered at budget consideration time. For the fiscal year ended June 30, 2020, Scotland County approved and paid the sum of \$426,126 to Richmond Community College.

V. Related Party Transactions

Richmond Community College purchased the Morgan Center for \$481,343 in November 2020.

VI. 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.

VII. Subsequent Events

Management has evaluated subsequent events through March 19, 2021, the date which the financial statements were available to be issued.

The County is in the process of reviewing plans to construct a new recreation center in Laurel Hill. The previous building was damaged during Hurricane Florence and was demolished in February 2020.

The County received a Coronavirus Relief Fund grant in May 2020 in the amount of \$816,582. An additional \$675,842.92 was received in July 2020. The grant is to help assist counties and other municipalities with costs related to COVID-19.

The County applied for funding with NC Commerce in the amount of \$575,000 for an economic development project. Due to several mishaps with the project, the grant funding was denied by NC Commerce. However, NC Commerce agreed to loan the funds to the County interest free for ten years. Debt service payments are expected to begin in FY 2022. The liability for the loan is reflected in these financial statements.

VIII. Restatement

The fiscal year end June 30, 2019 fixed assets-repossessed land was inadvertently overstated by \$662,578. The effect on net position for June 30, 2019 is an overstatement of \$662,578. Beginning net position and fixed assets were restated at July 1, 2019 to reflect this correction.

Required Supplemental Financial Data

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

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

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

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	.177%	.175%	.175%	.178%	.175%	.165%	.167%
County's proportionate share of the net pension liability (asset) \$	4,845,202	4,149,226	2,679,932	3,772,875	784,446	(971,567)	(984,463)
County's covered-employee payroll	13,130,373	12,800,516	12,139,104	10,975,089	10,411,622	10,372,702	9,916,166
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.90%	32.41%	22.08%	34.37%	7.58%	-9.36%	-9.93%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	1,190,879	992,040	910,433	839,797	756,313	740,748	703,825
Contributions in relation to the contractually required contribution	<u>1,190,879</u>	<u>992,040</u>	<u>910,433</u>	<u>839,797</u>	<u>756,313</u>	<u>740,748</u>	<u>703,825</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
County's covered-employee payroll	14,885,988	12,800,516	12,139,104	11,308,290	10,975,089	10,411,622	9,916,166
Contributions as a percentage of covered-employee payroll	8.00%	7.75%	7.50%	7.42%	6.89%	7.11%	7.10%

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

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	.270%	.279%	(.293%)	.309%	.284%	.283%	.283%
County's proportionate share of the net pension liability (asset) \$	(53,246)	(46,145)	(50,087)	(57,690)	(65,914)	(64,090)	(57,219)
County's covered-employee payroll	59,094	56,511	55,902	56,824	50,177	50,177	48,897
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.10%	-81.66%	-89.50%	-101.52%	-131.36%	-127.73%	-117.02%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

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

	2020	2019	2018	2017	2016	2015
Contractually required contribution	2,583	2,782	2,384	2,550	2,494	2,071
Contributions in relation to the contractually required contribution	<u>2,583</u>	<u>2,782</u>	<u>2,384</u>	<u>2,550</u>	<u>2,494</u>	<u>2,071</u>
Contribution deficiency (excess)	-	-	-	-	-	-
County's covered-employee payroll	59,094	56,511	55,902	54,027	56,824	50,177
Contributions as a percentage of covered-employee payroll	4.37%	4.92%	4.26%	4.72%	4.39%	4.13%

Scotland County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	656,755	679,413	627,701	642,469
Service cost	35,658	36,810	31,096	33,623
Interest on the total pension liability	22,626	20,518	23,084	21,892
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(74,233)	1,033	22,837	-
Changes on assumptions or other inputs	16,238	(20,771)	34,029	(11,793)
Benefit payments	(70,306)	(60,248)	(59,334)	(58,490)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>586,738</u>	<u>656,755</u>	<u>679,413</u>	<u>627,701</u>

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

Scotland County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	586,738	656,755	679,413	627,701
Covered payroll	1,617,839	1,629,513	1,526,642	1,601,424
Total pension liability as a percentage of covered payroll	36.27%	40.30%	44.50%	39.20%

Notes to the schedules:

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

Scotland County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	475,045	497,569	551,425
Interest	888,266	830,364	746,868
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(2,941,502)	121,484	141,329
Changes of assumptions or other inputs	(42,357)	(1,193,640)	(2,192,086)
Benefit payments	<u>(745,904)</u>	<u>(746,673)</u>	<u>(725,648)</u>
Net change in total OPEB liability	<u>(2,366,452)</u>	<u>(490,896)</u>	<u>(1,478,112)</u>
Total OPEB liability - beginning	<u>23,204,007</u>	<u>23,694,903</u>	<u>25,173,015</u>
Total OPEB liability - ending	20,837,555	23,204,007	23,694,903
Covered payroll	10,048,743	10,502,994	10,502,994
Total OPEB liability as a percentage of covered payroll	207.36%	220.93%	225.60%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2020	3.50%
2019	3.89%
2018	3.56%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem taxes:			
Taxes		\$ 22,305,017	
Interest		218,255	
Total	\$ 22,627,203	22,523,273	\$ (103,930)
Local option sales taxes:			
Article 39 one percent		2,866,154	
Article 40 one-half of one percent		2,190,960	
Article 42 one-half of one percent		1,595,885	
Article 44 one-half of one percent		721,963	
Total	7,207,476	7,374,962	167,486
Other taxes and licenses:			
Franchise tax	55,000	49,610	(5,390)
Unrestricted intergovernmental:			
Beer and wine tax		78,959	
ABC profit distribution		122,701	
Total	192,000	201,660	9,660
Restricted intergovernmental:			
State and federal grants		7,452,736	
Lottery proceeds		385,000	
Court facility fees		46,122	
Total	8,718,461	7,883,859	(834,602)
Permits and fees:			
Election fees		23,358	
Inspection fees		223,462	
Register of deeds		213,193	
Total	500,210	460,013	(40,197)

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues - continued:			
Sales and services:			
Jail and other fees		225,581	
Ambulance fees		1,315,609	
Recreation fees		96,372	
Administrative fees		117,540	
Emergency communications revenue		200,000	
Rental revenue		731,196	
Health department fees		122,651	
Total	2,806,296	2,808,950	2,654
Investment earnings	267,215	229,542	(37,673)
Fines, forfeitures	135,000	115,340	(19,660)
Miscellaneous:			
Private donations		16,222	
Sheriff dept. - surveillance - shared revenue		1,964	
Other		574,224	
Total	647,007	592,409	(54,598)
 Total revenues	 43,155,868	 42,239,616	 (916,252)

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		58,731	
Other operating expenditures		19,629	
Total	82,432	78,360	4,072
Administration:			
Salaries and employee benefits		954,149	
Other operating expenditures		37,343	
Total	1,029,283	991,492	37,791
Elections:			
Salaries and employee benefits		174,825	
Other operating expenditures		67,946	
Total	262,732	242,771	19,961
Tax:			
Salaries and employee benefits		651,542	
Other operating expenditures		184,313	
Total	998,067	835,855	162,212
Legal:			
Contracted services		72,110	
Total	71,625	72,110	(485)
Register of deeds:			
Salaries and employee benefits		210,878	
Other operating expenditures		27,581	
Total	251,100	238,459	12,641
Register of deeds automation	7,388	-	7,388

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Court facilities:			
Other operating expenditures		18,298	
Total	18,813	18,298	515
Information technology:			
Salaries and employee benefits		178,664	
Other operating expenditures		64,402	
Capital outlay		14,299	
Total	279,370	257,365	22,005
Total general government	3,000,810	2,734,709	266,101
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,614,946	
Other operating expenditures		354,235	
Capital outlay		212,364	
Total	3,312,959	3,181,545	131,414
Jail:			
Salaries and employee benefits		1,105,873	
Other operating expenditures		831,463	
Capital outlay		42,442	
Total	2,091,092	1,979,777	111,315
Emergency ambulatory & services:			
Salaries and employee benefits		1,814,605	
Other operating expenditures		315,961	
Capital outlay		124,215	
Total	2,326,588	2,254,781	71,807

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Emergency communications:			
Salaries and employee benefits		976,441	
Other operating expenditures		110,384	
Capital outlay		7,806	
Total	1,131,699	1,094,631	37,068
Forestry service	99,896	99,896	
Inspections:			
Salaries and employee benefits		307,185	
Other operating expenditures		19,065	
Total	336,287	326,250	10,037
Planning & zoning:			
Salaries and employee benefits		47,245	
Other operating expenditures		2,771	
Total	51,196	50,015	1,181
Scotland County Rescue Squad	30,000	18,970	11,030
Medical examiner	51,100	36,409	14,691
Animal control:			
Salaries and employee benefits		107,646	
Other operating expenditures		11,748	
Total	121,976	119,394	2,582
Humane society	113,000	106,471	6,529
Surveillance and drugs:			
Other operating expenditures		10,000	
Total	10,000	10,000	-
Total public safety	9,675,793	9,278,139	397,654

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures		726,609	
Total	754,957	726,609	28,348
Public buildings:			
Salaries and employee benefits		801,297	
Other operating expenditures		610,982	
Capital outlay		266,579	
Total	1,800,490	1,678,858	121,632
Total central service	2,555,447	2,405,466	149,981
Economic and physical development:			
Industry grants		1,044,991	
Region N-council of government		30,588	
SEDC		3,254	
Total	1,081,553	1,078,833	2,720
Co-op extension:			
Salaries and employee benefits		2,983	
Other operating expenditures		156,830	
Total	162,000	159,813	2,187
Soil and water conservation:			
Salaries and employee benefits		71,000	
Other operating expenditures		166,104	
Total	333,546	237,104	96,442
Total economic & physical development	1,577,099	1,475,750	101,349

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		116,222	
Historic Properties		25,000	
Scotland Home Health, Inc.		56,867	
Total other expenditures	198,847	198,089	758
Human services:			
Health:			
Administration:			
Salaries and employee benefits		754,055	
Other operating expenditures		133,825	
Total	891,534	887,880	3,654
Tuberculosis:			
Salaries and employee benefits		7,300	
Other operating expenditures		3,194	
Total	12,913	10,494	2,419
Orthopedic		59,179	
Wise woman		66,012	
Child health		61,740	
Primary care		17,710	
Communicable diseases		309,910	
Total	558,314	514,551	43,763
Cancer prevention:			
Salaries and employee benefits		5,202	
Other operating expenditures		4,146	
Total	10,232	9,348	884

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Family planning:			
Salaries and employee benefits		301,246	
Other operating expenditures		100,778	
Capital outlay		24,825	
Total	434,411	426,849	7,562
Maternal and child health:			
Salaries and employee benefits		196,605	
Other operating expenditures		45,544	
Total	245,284	242,148	3,136
Women, infants, and children:			
Salaries and employee benefits		239,072	
Other operating expenditures		74,528	
Total	329,025	313,600	15,425
Environmental health:			
Salaries and employee benefits		147,174	
Other operating expenditures		25,276	
Capital outlay		25,008	
Total	197,914	197,458	456
Child services coordinator:			
Salaries and employee benefits		139,393	
Other operating expenditures		3,277	
Total	148,350	142,670	5,680
MCC	276,493	187,636	88,857
Immunization:			
Salaries and employee benefits		26,978	
Other operating expenditures		46,265	
Total	81,061	73,243	7,818

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Adult health:			
Salaries and employee benefits		64,582	
Other operating expenditures		12,301	
Total	77,437	76,883	554
Preparedness response:			
Salaries and employee benefits		3,085	
Other operating expenditures		29,493	
Total	34,294	32,577	1,717
Clas standards:			
Other operating expenditures		8,206	
Total	20,000	8,206	11,794
Substance misuse prevention:			
Other operating expenditures		12,166	
Total	59,000	12,166	46,834
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		8,550	
Total	81,520	81,470	50
Total health	3,457,782	3,217,180	240,602

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Social services:			
Administration:			
Salaries and employee benefits		5,349,746	
Other operating expenditures		1,885,829	
Capital outlay		30,349	
Total	7,416,761	7,265,923	150,838
Transportation:			
Salaries and employee benefits		275,800	
Other operating expenditures		76,728	
Capital outlay		196,883	
Total	616,780	549,411	67,369
Re-entry council:			
Salaries and employee benefits		61,401	
Other operating expenditures		29,081	
Total	150,000	90,482	59,518
Total social services	8,183,541	7,905,816	277,725
Veterans service officer:			
Salaries and employee benefits		59,420	
Other operating expenditures		3,065	
Total	83,484	62,485	20,999
Total human services	11,724,807	11,185,480	539,327

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Expenditures - continued:			
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		456,433	
Other operating expenditures		251,488	
Capital outlay		20,000	
Total	876,432	727,921	148,511
Libraries:			
Salaries and employee benefits		302,118	
Other operating expenditures		151,553	
Capital outlay		16,152	
Total	502,920	469,823	33,097
Total cultural and recreational	1,379,352	1,197,744	181,608
Education:			
Public schools - current expense		10,123,895	
Public schools - lottery-capital outlay		85,000	
Fines and forfeitures		116,218	
Contributions of capital		300,000	
Community colleges - current		426,126	
Total education	11,070,021	11,051,239	18,782
Debt service:			
Principal retirement		1,274,478	
Interest and fees, other		1,871,788	
Total debt service	3,146,269	3,146,266	3
Total expenditures	44,328,445	42,672,882	1,655,563
Revenues (under) expenditures	(1,172,577)	(433,266)	739,311

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, 2020

	2020		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Other financing sources (uses):			
Sale of capital assets	-	481,343	481,343
Transfers to other funds:			
Capital project 911 building	(28,500)	(28,500)	-
Capital project facilities	(615,400)	(615,400)	-
Special revenue technology	(170,000)	(170,000)	-
Transfers from other funds:			
911 fund	-	153,173	153,173
Total net transfers	<u>(813,900)</u>	<u>(660,727)</u>	153,173
Total other financing sources (uses)	(813,900)	(179,384)	634,516
Appropriated fund balance	<u>1,986,477</u>	<u>-</u>	<u>(1,986,477)</u>
Net change in fund balance	<u>-</u>	<u>(612,649)</u>	<u>(612,649)</u>
Fund balances:			
Beginning of year, July 1		<u>14,174,262</u>	
End of year, June 30		<u>\$ 13,561,613</u>	

Scotland County, North Carolina
School Wings Construction
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Sales tax refund	\$ 496,710	\$ -	\$ -	\$ -	\$ (496,710)
Investment earnings	<u>-</u>	<u>206,930</u>	<u>16,061</u>	<u>222,991</u>	<u>222,991</u>
Total revenues	496,710	206,930	16,061	222,991	(273,719)
Expenditures:					
Rehabilitation/construction	<u>15,316,775</u>	<u>14,278,406</u>	<u>96,300</u>	<u>14,374,706</u>	<u>942,069</u>
Total expenditures	15,316,775	14,278,406	96,300	14,374,706	942,069
Revenues (under) expenditures	(14,820,065)	(14,071,476)	(80,239)	(14,151,715)	668,350
Other financing sources (uses):					
Transfers	(496,710)	(496,710)	(60,254)	(556,964)	(60,254)
Proceeds from bond issuance	13,380,000	13,380,000	-	13,380,000	-
Proceeds from bond premium	<u>1,936,775</u>	<u>1,936,775</u>	<u>-</u>	<u>1,936,775</u>	<u>-</u>
Total other financing sources (uses)	14,820,065	14,820,065	(60,254)	14,759,811	(60,254)
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 748,589</u>	<u>(140,493)</u>	<u>\$ 608,096</u>	<u>\$ 608,096</u>
Fund balances - beginning			<u>748,589</u>		
Fund balances - ending			<u>\$ 608,096</u>		

Scotland County, North Carolina
South Johnson School Construction
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Sales tax refund					
Investment earnings	-	393,985	198,939	592,924	592,924
Total revenues	-	393,985	198,939	592,924	592,924
Expenditures:					
Rehabilitation/construction	26,477,818	11,359,960	13,992,127	25,352,087	1,125,731
Total expenditures	26,477,818	11,359,960	13,992,127	25,352,087	1,125,731
Revenues (under) expenditures	(26,477,818)	(10,965,975)	(13,793,188)	(24,759,163)	1,718,655
Other financing sources (uses):					
Transfers	-	-	(90,050)	(90,050)	(90,050)
Proceeds from bond issuance	23,540,000	23,540,000	-	23,540,000	-
Proceeds from bond premium	2,937,818	2,937,818	-	2,937,818	-
Total other financing sources (uses)	26,477,818	26,477,818	(90,050)	26,387,768	(90,050)
Revenues and other sources over (under) expenditures	-	15,511,843	(13,883,238)	1,628,605	1,628,605
Fund balances - beginning			15,511,843		
Fund balances - ending			<u>\$ 1,628,605</u>		

Scotland County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2020

	Special Revenue Funds						Capital Project Funds						Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds	
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Disaster Recovery Fund	Coronavirus Recovery Fund	Technology Fund	Total Nonmajor Special Revenue Funds	Morgan Center Project Fund	Capital Reserve Fund	CDBG Mountaire Project Fund	Edwards Wood Project Fund	Facilities Parking Lot Project Fund			Covington Street School Project Fund
ASSETS															
Cash and cash equivalents	\$ -	\$ 376,100	\$ -	\$ -	\$ -	\$ 170,000	\$ 546,100	\$ -	\$ 28,500	\$ -	\$ -	\$ 611,940	\$ -	\$ 640,440	\$ 1,186,540
Restricted cash	1,742,724	-	103,847	-	762,916	-	2,609,487	-	-	18,113	-	-	-	18,113	2,627,600
Taxes receivable	72,504	-	-	-	-	-	72,504	-	-	-	-	-	-	-	72,504
Due from other governments/grantors	67,888	-	26,837	-	-	-	94,725	61	-	-	-	-	-	575,061	669,786
Total assets	\$ 1,883,116	\$ 376,100	\$ 130,684	\$ -	\$ 762,916	\$ 170,000	\$ 3,322,816	\$ 61	\$ 28,500	\$ 18,113	\$ 575,000	\$ 611,940	\$ -	\$ 1,233,614	\$ 4,556,430
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	-	-	433	-	-	-	433	-	-	-	-	-	-	-	433
Advance of COVID-19 funding	-	-	-	-	762,916	-	762,916	-	-	-	-	-	-	-	762,916
Due to general fund	-	-	-	-	-	-	-	-	176,095	-	575,000	-	73	751,168	751,168
Total liabilities	-	-	433	-	762,916	-	763,349	-	176,095	-	575,000	-	73	751,168	1,514,517
DEFERRED INFLOWS OF RESOURCES															
Taxes receivable	72,504	-	-	-	-	-	72,504	-	-	-	-	-	-	-	72,504
Total deferred inflows of resources	72,504	-	-	-	-	-	72,504	-	-	-	-	-	-	-	72,504
Fund balances:															
Restricted for:															
Stabilization by state statute	67,888	-	26,838	-	-	-	94,726	61	-	-	-	-	-	61	94,787
Fire protection	1,742,724	-	-	-	-	-	1,742,724	-	-	-	-	-	-	-	1,742,724
Emergency telephone	-	-	103,413	-	-	-	103,413	-	-	-	-	-	-	-	103,413
Capital outlay	-	-	-	-	-	-	-	-	-	18,113	-	-	-	18,113	18,113
Coronavirus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Committed:															
Revaluation	-	376,100	-	-	-	-	376,100	-	-	-	-	-	-	-	376,100
Assigned:															
Capital outlay	-	-	-	-	-	170,000	170,000	-	(147,595)	-	-	611,940	-	464,345	634,345
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	(73)	(73)	(73)
Total fund balances	1,810,612	376,100	130,251	-	-	170,000	2,486,963	61	(147,595)	18,113	-	611,940	(73)	482,446	2,969,409
Total liabilities, deferred inflows of resources and fund balances	\$ 1,883,116	\$ 376,100	\$ 130,684	\$ -	\$ 762,916	\$ 170,000	\$ 3,322,816	\$ 61	\$ 28,500	\$ 18,113	\$ 575,000	\$ 611,940	\$ -	\$ 1,233,614	\$ 4,556,430

Scotland County, North Carolina
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2020

	Special Revenue Funds						Capital Project Funds							Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Disaster Recovery Fund	Coronavirus Recovery Fund	Technology Fund	Total Nonmajor Special Revenue Funds	Morgan Center Project Fund	Capital Reserve Fund	CDBG Mountaire Project Fund	Edwards Wood Project Fund	Facilities Parking Lot Project Fund	Covington Street School Project Fund		
Revenues:															
Ad valorem taxes	\$ 674,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674,304
Other taxes, licenses & fees	410	-	436,067	-	-	-	436,477	-	-	-	-	-	-	-	436,477
Sales tax	332,650	-	-	-	-	-	332,650	-	-	-	-	-	-	-	332,650
Other grants	-	-	-	80,555	53,666	-	134,221	-	-	260,296	805,482	-	-	1,065,778	1,199,999
Investment earnings	6,374	-	-	-	-	-	6,374	78	-	-	-	-	-	78	6,452
Total revenues	1,013,738	-	436,067	80,555	53,666	-	1,584,026	78	-	260,296	805,482	-	-	1,065,856	2,649,882
Expenditures:															
Public safety	306,986	-	129,078	-	-	-	436,064	-	-	-	-	-	-	-	436,064
Other	-	-	-	-	53,666	-	53,666	-	-	-	-	-	-	-	53,666
Capital outlay	710,832	-	245,505	80,555	-	-	1,036,892	36,319	446,415	116,449	849,364	3,460	354,073	1,806,080	2,842,972
Total expenditures	1,017,818	-	374,583	80,555	53,666	-	1,526,622	36,319	446,415	116,449	849,364	3,460	354,073	1,806,080	3,332,702
Revenues over (under) expenditures	(4,080)	-	61,484	-	-	-	57,404	(36,241)	(446,415)	143,847	(43,882)	(3,460)	(354,073)	(740,224)	(682,820)
Other financing sources (uses):															
Sale of Property	-	-	-	-	-	-	-	-	-	-	-	-	354,000	354,000	354,000
Proceeds installment financing	-	-	-	-	-	-	-	-	-	-	575,000	-	-	575,000	575,000
Transfers from other funds	-	-	-	-	-	170,000	170,000	9,264	28,500	-	-	615,400	-	653,164	823,164
Transfers to other funds	-	-	-	-	-	-	-	(12,133)	-	-	-	-	-	(12,133)	(12,133)
Total other financing sources (uses)	-	-	-	-	-	170,000	170,000	(2,870)	28,500	-	575,000	615,400	354,000	1,570,031	1,740,031
Net change in fund balances	(4,080)	-	61,484	-	-	170,000	227,404	(39,111)	(417,915)	143,847	531,118	611,940	(73)	829,807	1,057,211
Fund balances—beginning	1,814,692	376,100	68,767	-	-	-	2,259,559	39,171	270,320	(125,734)	(531,118)	-	-	(347,361)	1,912,198
Fund balances - ending	\$ 1,810,612	\$ 376,100	\$ 130,251	\$ -	\$ -	\$ 170,000	\$2,486,963	\$ 61	\$(147,595)	\$ 18,113	\$ -	\$ 611,940	\$ (73)	\$ 482,446	2,969,409

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, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 673,800	\$ 674,304	\$ 504
Other taxes, licenses & fees	500	410	(90)
Sales tax	325,000	332,650	7,650
Investment earnings	6,000	6,374	374
Total revenues	1,005,300	1,013,738	8,438
Expenditures:			
Public safety	308,300	306,986	1,314
Capital outlay	725,000	710,832	14,168
Total expenditures	1,033,300	1,017,818	15,482
Revenues over (under) expenditures	(28,000)	(4,080)	23,920
Other financing sources:			
Appropriated fund balance	28,000	-	(28,000)
Total other financing sources	28,000	-	(28,000)
Revenues and other sources (under) expenditures	\$ -	(4,080)	\$ (4,080)
Fund balances - beginning		1,814,692	
Fund balances - ending		\$ 1,810,612	

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, 2020

	<u>Final Budget</u>	Actual	<u>Variance Positive (Negative)</u>
Revenues:			
None	\$ -	\$ -	\$ -
Expenditures:			
Revaluation	-	-	-
Revenues (under) expenditures	-	-	-
Other financing sources:			
Transfers:			
General fund	-	-	-
Total other financing sources	-	-	-
Revenues and other sources (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances - beginning		<u>376,100</u>	
Fund balances - ending		<u>\$ 376,100</u>	

Scotland County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other taxes, licenses & fees	\$ 436,067	\$ 436,067	\$ -
Total revenues	<u>436,067</u>	<u>436,067</u>	<u>-</u>
Expenditures:			
Public safety	<u>436,067</u>	<u>374,583</u>	<u>61,484</u>
Total expenditures	<u>436,067</u>	<u>374,583</u>	<u>61,484</u>
Revenues over expenditures	-	61,484	61,484
Other financing sources:			
Appropriated fund balance	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	-	-	-
Revenues and other sources over expenditures	<u>\$ -</u>	61,484	<u>\$ 61,484</u>
Fund balances - beginning		<u>68,767</u>	
Fund balances - ending		<u>\$ 130,251</u>	

Scotland County, North Carolina
Disaster Recovery
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Grant	\$ 300,000	\$ 80,555	\$ (219,445)
Total revenues	<u>300,000</u>	<u>80,555</u>	<u>(219,445)</u>
Expenditures:			
Other recovery expenditures	<u>300,000</u>	<u>80,555</u>	<u>219,445</u>
Total expenditures	<u>300,000</u>	<u>80,555</u>	<u>219,445</u>
Revenues (under) expenditures	-	-	-
Other financing sources:			
Appropriated fund balance	-	-	-
Transfers	-	-	-
Total other financing sources	-	-	-
Revenues and other sources (under) expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances - beginning		<u>-</u>	
Fund balances - ending		<u>\$ -</u>	

Scotland County, North Carolina
Coronavirus Recovery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual

For the Fiscal Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Grant	\$ 816,582	\$ 53,666	\$ (762,916)
Total revenues	<u>816,582</u>	<u>53,666</u>	<u>(762,916)</u>
Expenditures:			
Other recovery expenditures	<u>816,582</u>	<u>53,666</u>	<u>762,916</u>
Total expenditures	<u>816,582</u>	<u>53,666</u>	<u>762,916</u>
Revenues over expenditures	-	-	-
Other financing sources:			
Appropriated fund balance	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	-	-	-
Revenues and other sources over expenditures	<u>\$ -</u>	-	<u>\$ -</u>
Fund balances - beginning		<u>-</u>	
Fund balances - ending		<u>\$ -</u>	

Scotland County, North Carolina
Technology Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Grant	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Other recovery expenditures	170,000	-	170,000
Total expenditures	170,000	-	170,000
Revenues (under) expenditures	(170,000)	-	170,000
Other financing sources:			
Appropriated fund balance	-	-	-
Transfers	170,000	170,000	-
Total other financing sources	170,000	170,000	-
Revenues and other sources over expenditures	\$ -	170,000	\$ 170,000
Fund balances - beginning		-	
Fund balances - ending		\$ 170,000	

Scotland County, North Carolina
Morgan Center Project
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 19,285	\$ 20,959	\$ 78	\$ 21,037	\$ 1,752
Total revenues	<u>19,285</u>	<u>20,959</u>	<u>78</u>	<u>21,037</u>	<u>1,752</u>
Expenditures:					
Rehabilitation/construction	<u>2,540,641</u>	<u>2,503,144</u>	<u>36,319</u>	<u>2,539,463</u>	<u>1,178</u>
Total expenditures	<u>2,540,641</u>	<u>2,503,144</u>	<u>36,319</u>	<u>2,539,463</u>	<u>1,178</u>
Revenues (under) expenditures	(2,521,356)	(2,482,185)	(36,241)	(2,518,426)	2,930
Other financing sources (uses):					
Transfers to other funds	(19,285)	(19,285)	(12,133)	(31,418)	(12,133)
Transfers from other funds	-	-	9,264	9,264	9,264
Proceeds from bond issuance	2,240,000	2,240,000	-	2,240,000	-
Proceeds from bond premium	<u>300,641</u>	<u>300,641</u>	-	<u>300,641</u>	-
Total other financing sources (uses)	2,521,356	2,521,356	(2,869)	2,518,487	(2,869)
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 39,171</u>	(39,110)	<u>\$ 61</u>	<u>\$ 61</u>
Fund balances - beginning			<u>39,171</u>		
Fund balances - ending			<u>\$ 61</u>		

Scotland County, North Carolina
Capital Reserve
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
Private Company Grant	475,000	-	-	-	(475,000)
911 Board Grant	153,551	-	-	-	(153,551)
Other County Grant	<u>128,735</u>	-	-	-	<u>(128,735)</u>
Total revenues	<u>757,286</u>	-	-	-	<u>(757,286)</u>
Expenditures:					
Other contracted services	<u>1,048,304</u>	<u>18,680</u>	<u>446,415</u>	<u>465,095</u>	<u>583,209</u>
Total expenditures	<u>1,048,304</u>	<u>18,680</u>	<u>446,415</u>	<u>465,095</u>	<u>583,209</u>
Revenues (under) expenditures	(291,018)	(18,680)	(446,415)	(465,095)	(174,077)
Other financing sources (uses):					
Transfers	306,600	144,000	28,500	172,500	(134,100)
Appropriated fund balance	<u>(15,582)</u>	-	-	-	<u>15,582</u>
Total other financing sources (uses)	291,018	144,000	28,500	172,500	(118,518)
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 125,320</u>	(417,915)	<u>\$ (292,595)</u>	<u>\$ (292,595)</u>
Fund balances - beginning			<u>270,320</u>		
Fund balances - ending			<u>\$ (147,595)</u>		

Scotland County, North Carolina
CDBG - Mountaire
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
CDBG - Grant	\$ 1,350,000	\$ 1,252,204	\$ 97,796	\$ 1,350,000	\$ -
Other State Grant	162,000	-	162,500	162,500	500
Private Grant	1,250,000	867,280	-	867,280	(382,720)
Total revenues	<u>2,762,000</u>	<u>2,119,484</u>	<u>260,296</u>	<u>2,379,780</u>	<u>(382,220)</u>
Expenditures:					
Rehabilitation and construction	<u>2,762,000</u>	<u>2,245,218</u>	<u>116,449</u>	<u>2,361,667</u>	<u>400,333</u>
Total expenditures	<u>2,762,000</u>	<u>2,245,218</u>	<u>116,449</u>	<u>2,361,667</u>	<u>400,333</u>
Revenues over (under) expenditures	-	(125,734)	143,847	18,113	18,113
Other financing sources:					
Transfers	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (125,734)</u>	143,847	<u>\$ 18,113</u>	<u>\$ 18,113</u>
Fund balances - beginning			<u>(125,734)</u>		
Fund balances - ending			<u>\$ 18,113</u>		

Scotland County, North Carolina
Edwards Wood Products
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ 1,025,000	\$ 325,636	\$ 805,482	\$ 1,131,118	\$ 106,118
Total revenues	<u>1,025,000</u>	<u>325,636</u>	<u>805,482</u>	<u>1,131,118</u>	<u>106,118</u>
Expenditures:					
Rehabilitation and construction	<u>1,025,000</u>	<u>856,755</u>	<u>849,364</u>	<u>1,706,119</u>	<u>(681,119)</u>
Total expenditures	<u>1,025,000</u>	<u>856,755</u>	<u>849,364</u>	<u>1,706,119</u>	<u>(681,119)</u>
Revenues (under) expenditures	-	(531,119)	(43,882)	(575,001)	(575,001)
Other financing sources:					
Proceeds from installment financing	-	-	575,000	575,000	575,000
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	-	-	575,000	575,000	575,000
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (531,119)</u>	531,118	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning			<u>(531,118)</u>		
Fund balances - ending			<u>\$ -</u>		

Scotland County, North Carolina
Facilities Parking Lot Project
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
 For the Fiscal Year Ended June 30, 2020

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Rehabilitation and construction	<u>615,400</u>	<u>-</u>	<u>3,460</u>	<u>3,460</u>	<u>611,940</u>
Total expenditures	<u>615,400</u>	<u>-</u>	<u>3,460</u>	<u>3,460</u>	<u>611,940</u>
Revenues (under) expenditures	(615,400)	-	(3,460)	(3,460)	611,940
Other financing sources:					
Proceeds from installment financing	-	-	-	-	-
Transfers	<u>615,400</u>	<u>-</u>	<u>615,400</u>	<u>615,400</u>	<u>-</u>
Total other financing sources	<u>615,400</u>	<u>-</u>	<u>615,400</u>	<u>615,400</u>	<u>-</u>
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	611,940	<u>\$ 611,940</u>	<u>\$ 611,940</u>
Fund balances - beginning			<u>-</u>		
Fund balances - ending			<u>\$ 611,940</u>		

Scotland County, North Carolina
Covington Street School Project
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget Authorization	Prior Years	Actual	Total to Date	Variance Positive (Negative)
Revenues:					
Other revenue-RCC	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Rehabilitation and construction	354,075	-	354,073	354,073	2
Total expenditures	<u>354,075</u>	<u>-</u>	<u>354,073</u>	<u>354,073</u>	<u>2</u>
Revenues (under) expenditures	(354,075)	-	(354,073)	(354,073)	2
Other financing sources:					
Sale of property-RCC	354,075	-	354,000	354,000	(75)
Proceeds from installment financing	-	-	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	354,075	-	354,000	354,000	(75)
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(73)	<u>\$ (73)</u>	<u>\$ (73)</u>
Fund balances - beginning			<u>-</u>		
Fund balances - ending			<u>\$ (73)</u>		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		\$ 1,681,407	
Availability fees		1,020,949	
Other operating revenues		227,653	
Total operating revenues	\$ 2,777,500	2,930,009	\$ 152,509
Expenditures:			
Operating expenses:			
Salaries & employee benefits		569,147	
Supplies		24,802	
Repairs & maintenance		135,827	
Contracted services		297,406	
Waste disposal		1,164,077	
Other operating expenditures		156,397	
Total operating expenses	2,461,224	2,347,655	113,569
Capital outlays:			
Equipment - vehicle	393,276	388,289	4,987
Total expenditures	2,854,500	2,735,944	118,556
Revenues over (under) expenditures	\$ (77,000)	194,065	\$ 271,065
Other financing sources (uses):			
Insurance recovery		77,000	
Transfers		(400,000)	
Total other financing sources (uses)	77,000	323,000	(400,000)
Fund balance appropriated	-	-	-
Revenues and other sources (under) expenditures	\$ -	(128,935)	\$ (128,935)
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		388,289	
Depreciation		(169,321)	
(Decrease) in deferred outflows of resources-pensions		(10,444)	
(Increase) in net pension liability		(20,879)	
Decrease in deferred inflows of resources-pensions		644	
Increase in deferred outflows of resources-OPEB		566	
(Increase) in deferred inflows of resources-OPEB		(39,622)	
Decrease in net OPEB liability		47,329	
Decrease in accrued vacation		4,404	
(Increase) in accrued landfill closure and postclosure costs		(75,395)	
Bad debts		(2,422)	
Capital contribution		400,000	
Total reconciling items		523,149	
Change in net position		\$ 394,214	

Scotland County, North Carolina
Water District I Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		\$ 827,595	
Disaster recovery grant		20,434	
Total operating revenues	\$ 860,434	848,029	\$ (12,405)
Expenditures:			
Operating expenses:			
Salaries and employee benefits		14,921	
Water purchases		383,315	
Other operating expenditures		284,058	
Total operating expenses	736,238	682,294	53,944
Debt service:			
Principal retirement		50,000	
Interest		57,431	
Total	107,431	107,431	-
Capital outlay:			
Equipment	16,765	16,765	-
Total expenditures	860,434	806,490	53,944
Revenues over expenditures	\$ -	41,538	\$ 41,538
Reconciliation from budgetary basis			
(modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		16,765	
Principal payment		50,000	
Depreciation		(126,892)	
(Decrease) in deferred outflows of resources-pensions		(3,481)	
(Increase) in net pension liability		(37,639)	
Decrease in deferred inflows of resources-pensions		6	
Increase in deferred outflows of resources-OPEB		283	
(Increase) in deferred inflows of resources-OPEB		(19,811)	
Decrease in OPEB liability		31,938	
Amortization of bond premium		4,013	
Bad debts		(1,133)	
(Increase) in accrued vacation		(3,925)	
Total reconciling items		(89,877)	
Change in net position		\$ (48,339)	

Scotland County, North Carolina
Water District II Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		\$ 522,117	
Water taps		174,163	
Total operating revenues	\$ 675,000	696,280	\$ 21,280
Expenditures:			
Operating expenses:			
Water purchases		159,803	
Other operating expenditures		55,870	
Total operating expenses	425,950	215,673	210,277
Debt service:			
Principal retirement		90,000	
Interest		159,049	
Total	249,050	249,049	1
Total expenditures	675,000	464,722	210,278
Revenues over expenditures	\$ -	231,558	\$ 231,558
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		90,000	
Depreciation		(201,280)	
Amortization of bond premium		7,223	
Bad debts		(471)	
Total reconciling items		(104,528)	
Change in net position		\$ 127,030	

Scotland County, North Carolina
Recycling Center Project
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Rehabilitation and construction	400,000	-	186,987	186,987	213,013
Total expenditures	<u>400,000</u>	<u>-</u>	<u>186,987</u>	<u>186,987</u>	<u>213,013</u>
Revenues (under) expenditures	(400,000)	-	(186,987)	(186,987)	213,013
Other financing sources:					
Proceeds from installment financing	-	-	-	-	-
Transfers	400,000	-	400,000	400,000	-
Total other financing sources	400,000	-	400,000	400,000	-
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	213,013	<u>\$213,013</u>	<u>\$ 213,013</u>
Fund balances - beginning			<u>-</u>		
Fund balances - ending			<u>\$213,013</u>		

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Social Services				
Assets:				
Cash & cash equivalents	22,911	128,005	124,485	26,431
Liabilities:				
Miscellaneous liabilities	22,911	128,005	124,485	26,431
Fines and Forfeitures				
Assets:				
Cash	3,275	452,247	437,924	17,598
Liabilities:				
Intergovernmental payable	906	115,311	116,218	-
Other tax	2,368	336,935	321,705	17,599
Total liabilities	3,275	452,246	437,923	17,599
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	(2,577)	610,803	607,419	807
Liabilities:				
Miscellaneous liabilities	(2,577)	610,803	607,419	807
Inmate Trust Fund				
Assets:				
Cash	74,849	210,521	214,749	70,621
Liabilities:				
Inmate funds	74,849	210,521	214,749	70,621
Tourism Development Fund				
Assets:				
Cash	275,642	300,242	351,039	224,845
Liabilities:				
Miscellaneous liabilities	275,642	300,242	351,039	224,845
Parks and Recreation				
Assets:				
Cash	20,088	8,629	9,815	18,902
Liabilities:				
Miscellaneous liabilities	20,088	8,629	9,815	18,902

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Concealed Weapons Fees				
Assets:				
Cash	1,625	23,935	23,455	2,105
Liabilities:				
Miscellaneous liabilities	1,625	23,935	23,455	2,105
Register of Deeds				
Assets:				
Cash	14,013	109,475	114,825	8,663
Liabilities:				
Miscellaneous liabilities	14,013	109,475	114,825	8,663
Library				
Assets:				
Cash	19,123	17,767	32,444	4,446
Liabilities:				
Miscellaneous liabilities	19,123	17,767	32,444	4,446
Certified Retirement Community				
Assets:				
Cash	3,541	1,500	-	5,041
Liabilities:				
Miscellaneous Liabilities	3,541	1,500	-	5,041
Cooperative Extensions				
Assets:				
Cash	7,264	4,757	4,528	7,493
Liabilities:				
Miscellaneous Liabilities	7,264	4,757	4,528	7,493
Cooperative Extensions-4H Program				
Assets:				
Cash	-	22,192	13,337	8,855
Liabilities:				
Miscellaneous Liabilities	-	22,192	13,337	8,855
Total-All Agency Funds				
Assets:				
Cash	439,752	1,890,074	1,934,020	395,806
Liabilities:				
Miscellaneous liabilities	438,848	1,774,762	1,817,802	395,806
Intergovernmental payable	906	115,311	116,218	-
Total liabilities	439,752	1,890,073	1,934,020	395,806

OTHER SCHEDULES

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2019</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2020</u>
2019-2020	\$ -	\$22,622,103	\$21,774,210	\$ 847,893
2018-2019	836,274	-	387,521	448,753
2017-2018	376,109	-	122,754	253,355
2016-2017	243,347	-	49,961	193,386
2015-2016	163,406	-	22,506	140,900
2014-2015	141,270	-	14,336	126,934
2013-2014	154,512	-	11,631	142,881
2012-2013	159,039	-	16,157	142,882
2011-2012	136,787	-	9,468	127,319
2010-2011	137,763	-	10,773	126,990
2009-2010	<u>130,484</u>	<u>-</u>	<u>73,878</u>	<u>56,606</u>
 Total	 <u>2,478,991</u>	 <u>22,622,103</u>	 <u>22,493,195</u>	 2,607,899
				<u>130,395</u>
				Ad valorem taxes receivable - net
				\$ 2,477,504
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - net:				
General Fund				\$22,523,273
Reconciling items:				
Interest				\$ (225,930)
Discounts				94,613
Bad debts recovered				(4,552)
Taxes released				<u>105,791</u>
Total reconciling items				<u>\$ (30,078)</u>
Total collections and credits				<u>\$22,493,195</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2020

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 2,271,664,212	\$ 1.00	\$ 22,716,642	\$ 20,268,243	\$ 2,448,399
Total	2,271,664,212		22,716,642	20,268,243	2,448,399
Releases	(9,453,888)		(94,539)	(71,342)	(23,197)
Total property valuations	<u>\$ 2,262,210,324</u>				
Net levy			22,622,103	20,196,901	2,425,202
Uncollected taxes at June 30, 2020			847,893	840,493	7,400
Current year's taxes collected			<u>\$ 21,774,210</u>	<u>\$ 19,356,408</u>	<u>\$ 2,417,802</u>
Current year collection percentage			<u>96.25%</u>	<u>95.84%</u>	<u>99.69%</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2020

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$1,439,928,518
Personal property	702,272,737
Public service companies ²	<u>120,009,069</u>
Total assessed valuation	2,262,210,324
Tax rate per \$100	\$ 1
Levy (includes discoveries, releases and abatements) ³	\$ 22,622,103

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>653,784</u>
Total	<u><u>\$ 653,784</u></u>

¹Percentage of appraised value has been established by statute.

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

³The levy includes interest and penalties.

Scotland County, North Carolina
 Ten Largest Taxpayers
 For the Fiscal Year Ended June 30, 2020

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
FCC (North Carolina) LLC	Manufacturing	\$ 89,355,502	3.95%
Pilkington America	Manufacturing	\$ 68,358,531	3.02%
Duke Energy Progress, Inc.	Utility	\$ 66,933,879	2.96%
Edwards Wood Products	Manufacturing	\$ 56,252,006	2.49%
Piedmont Natural Gas Co, Inc.	Utility	\$ 52,138,365	2.30%
Mountaire Farms of NC Inc.	Manufacturing	\$ 40,810,729	1.80%
Cascades Holding US, Inc.	Manufacturing	\$ 37,713,848	1.67%
Lumbee River EMC	Utility	\$ 25,111,188	1.11%
Meritor Heavy Vehicle	Manufacturing	\$ 26,479,951	1.17%
CSX Transportation	Railroad	\$ 23,622,189	1.04%
Total		<u>\$ 486,776,188</u>	<u>21.51%</u>

COMPLIANCE SECTION



Roche, Head & Associates, PLLC

• CERTIFIED PUBLIC ACCOUNTANTS •

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

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the [accompanying] financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scotland County, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statement, [not presented here], which collectively comprises Scotland County's basic financial statements, and have issued our report thereon dated March 19, 2021.

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

Internal Control Over Financial Reporting

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

-113-

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. *See findings 2020-001, 2020-002 and 2020-003.*

Compliance and Other Matters

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

Scotland County's Response to Findings

Scotland County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Roche, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

March 19, 2021



Roche, Head & Associates, PLLC

• CERTIFIED PUBLIC ACCOUNTANTS •

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

Independent Auditor's Report

To the Board of Commissioners
Scotland County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Scotland County, North Carolina, compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Scotland County's major federal programs for the year ended June 30, 2020. Scotland County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

-115-

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

Opinion on Each Major Federal Program

In our opinion, Scotland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2020-004 that we consider to be a significant deficiency.

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

Roche, Head + Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

March 19, 2021



Roche, Head & Associates, PLLC

• CERTIFIED PUBLIC ACCOUNTANTS •

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

Independent Auditor's Report

To the Board of County Commissioners
Scotland County, North Carolina

Report on Compliance for Each Major State Program

We have audited the Scotland County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2020. Scotland County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, Scotland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with applicable sections of the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which is described in the accompanying schedule of findings and questioned costs as item 2020-005. Our opinion on each major state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-005 that we consider to be a material weakness. We also identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-004 that we consider to be a significant deficiency.

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

Roche, Head + Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

March 19, 2021

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- * Material weakness(es) identified? ___yes X no
- * Significant deficiencies identified that are not considered to be material weaknesses X yes ___none reported

Noncompliance material to financial statements noted ___yes X no

Federal Awards

Internal control over major federal programs:

- * Material weakness(es) identified? ___yes X no
- * Significant deficiencies identified that are not considered to be material weaknesses X yes ___none reported

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

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

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2020

Identification of major federal programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.923	EWP Grant-Hurricane Florence
20.526	Bus and Bus Facilities Formula Program
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program (Medicaid)

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

Auditee qualified as low-risk auditee? ___yes ___X___no

State Awards

Internal control over major State programs:

- Material weakness(es) identified? Xyes ___no
- Significant deficiencies identified that are
 not considered to be material weaknesses Xyes ___none reported

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

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

Identification of major State programs:

<p>Program Name: Medical Assistance Program (Medicaid)</p> <p>N.C. Department of Public Safety: Bus and Bus Facilities Formula Program</p> <p>N.C. Dept. of Public Instruction: Public School Building Capital Fund - Lottery Proceeds</p> <p>N.C. Dept. of Commerce: Industrial Development Fund</p>
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SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

Finding: 2020-001
Significant Deficiency

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

Condition: The County was late in providing a trial balance for audit.

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

Identification of Repeat finding: This is a repeat finding from the immediate previous audit, Finding 2019-001.

Cause: COVID-19 played a significant roll in the preparation of the audit.

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

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

Finding: 2020-002
Significant Deficiency

Criteria: A prior period adjustment is indicative of at least a significant deficiency in the financial reporting controls of the entity.

Condition: Fixed assets were overstated by \$662,578 in the fiscal June 30, 2019 financial statements.

Effect: A prior period adjustment of \$662,578 was needed to correct the net fixed assets in the General Fund.

Cause: Oversight of value of repossessed property by the County.

Recommendation: Careful attention to valuing repossessed assets should be evaluated on a case by case basis.

View of responsible officers and planned corrective actions: The County agrees with this finding and will evaluate its methods on valuing repossessed and contributed assets.

Finding: 2020-003
Significant Deficiency

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

Condition: The County transferred money from three project funds that were not appropriated in the annual budget ordinance. Specifically \$60,254 was transferred from the School Wings Construction Fund to the General Fund, \$90,050 was transferred from the South Johnson School Construction Fund to the General Fund and \$400,000 was transferred from the Public Works Fund to the Recycling Center Capital Project Fund.

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

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

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

View of responsible officers and planned corrective actions: The County agrees with this finding. The County will review budgetary items more closely as they relate to project funds.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section III - Federal Award Findings and Questioned Costs

US Department of Health and Human Services

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

Division of Social Services

Program Name: Medical Assistance Program (Medicaid)

CFDA# 93.778

Finding: 2020-004

Significant Deficiency

Eligibility/Internal Controls

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

Condition: One applicant's information was not properly entered into NC Fast for determination of Medicaid eligibility. An audit of the case file determined the individual qualified for Medicaid.

Context: Out of a population of 1,192,195 case files, 98 Medicaid case files were audited for eligibility requirements. One out of the 98 Medicaid case files did not have enough information entered into NC Fast to determine eligibility at recertification.

Effect: Lack of evidence entered into NC fast could cause an individual to improperly receive Medicaid benefits when they otherwise would not qualify. In addition an individual could be excluded from benefits when they would otherwise qualify.

Cause: Human oversight in the eligibility documentation process.

Recommendation: Controls could be strengthened to ensure all required steps to determine eligibility have taken place and that all documents are completed.

Views of responsible officials and planned corrective actions:

The County agrees with this finding and has strengthened controls in the data entry of client information by continuing monthly second party reviews measuring internal controls and eligibility.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

Section IV - State Award Findings and Questioned Costs

US Department of Health and Human Services

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

Finding: See Federal Finding 2020-004

North Carolina Department of Commerce

Program Name: Industrial Development Fund

Finding: 2020-005

Material Noncompliance

Material Deficiency

Period of Performance

Criteria: Each grant agreement defines a period of time that expenditures can take place.

Condition: Grant expenditures were incurred outside the allowable period of time as specified in the grant.

Context: \$506,744.05 in expenditures was incurred to a contractor before the allowable period of time as stated in the grant agreement.

Questioned

Costs: \$506,744.05. This amount was determined by reviewing invoice that relates to work performed outside of the period of performance.

Effect: Expenditures were incurred by the County in a period outside of the signed grant agreement resulting in the County not getting reimbursed by the grantor.

Cause: A lack of internal controls related to the period of allowable expenditures as outlined in the grant agreement.

Recommendation: Controls should be established within the finance department to better manage grant agreements. Grant compliance supplements are available for most grants and should be utilized by the County as a method of quality control to ensure the basic requirements for grants are met. At the date of this report, negotiations were taking place with the NC Department of Commerce and the County to resolve this issue. See subsequent events note on page 67 for details.

Views of responsible officials and planned corrective actions:

The County agrees with this finding. The County will assign staff to specifically manage grant agreements. As a form of internal quality control this person will also review compliance supplements to ensure the County is following the requirements of the grant.



SCOTLAND COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

Finding: 2020-001

Name of contact person: Beth Hobbs - Finance Officer
Corrective Action: The County intends to improve on gathering information in order to provide the auditor with timely financial information and trial balance. Personnel have been reassigned to accounting duties.
Proposed Completion Date: Immediately.

Finding: 2020-002

Name of contact person: Beth Hobbs - Finance Officer
Corrective Action: The Finance Officer will work with the tax department to ensure the proper foreclosure values are recorded to the County's fixed asset records.
Proposed Completion Date: Immediately.

Finding: 2020-003

Name of contact person: Beth Hobbs - Finance Officer
Corrective Action: The Finance Officer will review project funds more closely to ensure all budgetary requirements are met.
Proposed Completion Date: Immediately.

Section III - Federal Award Findings and Questioned Costs

Finding: 2020-004

Name of contact person: Carolyn Lewellen and April Snead
Corrective Action: Finding is related to data entry of case files and considered a technical error as the client qualified for Medicaid. We have strengthened data entry of client reports each month by ensuring data merges are completed.
Proposed Completion Date: Immediately.

Section IV - State Award Findings and Questioned Costs

Finding: 2020-004

See Federal Award Findings and Questioned Costs, Finding 2020-004 and Corrective Action Plan.

Finding: 2020-005

Finance staff has been assigned to review grant agreements. Staff is also responsible for ensuring all grant requirements have been met.

SCOTLAND COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2020

Finding 2019-002

Status: See Finding 2020-002

Finding 2019-002

Status: See Finding 2020-004

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Dept. of Agriculture</u>						
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	5NC400406	499,568	-	-	499,568
Supplemental Nutrition Assistance Program - Fraud	10.561	5NC400406	17,613	-	-	17,613
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	5NC700705	313,640	-	-	-
Passed-through the N.C. Dept. of Natural Resources Conservation:						
EWP Grant-Hurricane Florence	10.923	NR1945432c006	154,737	-	-	17,940
Total U.S. Department of Agriculture			985,558	-	-	535,121
<u>U.S. Department of Housing and Urban Development:</u>						
Passed-through the N.C. Dept. of Commerce:						
Small Cities Community Development Block Grant Total N.C. Dept. of Commerce	14.228	16-B-2900	97,796	-	-	-
			97,796	-	-	-
<u>U.S. Dept. of Transportation</u>						
Passed-through the N.C. Department of Transportation:						
Formula Grants for Other than Urbanized Areas	20.509	2000000353	21,004	1,313	-	-
Formula Grants for Other than Urbanized Areas	20.509	2000000797	59,616	3,726	-	-
Passed-through the N.C. Department of Transportation:						
Bus and Bus Facilities Formula Program	20.526	2000022630	146,985	18,373	-	-
Passed-through the N.C. Department of Public Safety:						
Hazardous Material Emergency Preparedness (HMEP) Total U.S. Dept. of Transportation	20.703	693JK31940033HMEP	8,000	-	-	-
			235,606	23,411	-	-
<u>U.S. Dept. of Treasury</u>						
Passed-through the Office of State Budget and Management:						
NC Pandemic Recovery Office Coronavirus Relief Fund (Note 6) Total U.S. Dept. of Treasury	21.019	02-81	3,666	-	50,000	-
			3,666	-	50,000	-
<u>U.S. Dept. of Health & Human Services</u>						
Division of Social Services:						
Family Preservation	93.556	15113A15151	5,567	-	-	-
Temporary Assistance for Needy Families (TANF) Cluster						
TANF - Work First - Admin	93.558	G1202NCTANF	139,903	-	-	53,230
TANF - Work First	93.558	G1202NCTANF	507,137	-	-	238,334
Division of Public Health:						
TANF - Work First Total TANF Cluster	93.558	G1202NCTANF	8,348	-	-	-
			655,388	-	-	291,564
IV-D Administration	93.563	1204NC4005	669,726	-	-	345,011
IV-D Offset Fees	93.563	1204NC4006	12,016	(1,062)	-	7,252

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
<u>Foster Care and Adoption Cluster (Note 4)</u>						
Foster Care - Title IV-E	93.658	120INC1401	92,151	25,329	-	66,822
Foster Care Training - Title IV-E	93.658	120INC1401	178,035	-	-	177,954
IV-B Max Level III	93.658	120INC1401	5,715	-	-	2,372
IV-E Administration	93.658	120INC1401	1,967	984	-	984
IV-E Family Foster Max	93.658	120INC1401	4	-	-	2
IV-E FC & Extend Max	93.658	120INC1401	11,095	2,028	-	2,028
IV-E FC & Extend Reg	93.658	120INC1401	191,805	41,591	-	38,219
Adoption Assistance	93.659	120INC1407	586	-	-	586
Total Foster Care and Adoption Cluster (Note 4)			481,360	69,931	-	288,967
Refugee and Entrant Assistance - State Administered Program	93.566	G12AANC4110	1,844	-	-	-
Total Refugee and Entrant Assistance			1,844	-	-	-
Low-Income Home Energy Assistance: Administration	93.568	G12BNCLIEA	35,748	-	-	-
Energy Assistance Payments	93.568	G12BNCLIEA	318,396	-	-	-
Crisis Intervention Program	93.568	G12BNCLIEA	35,603	-	-	-
Total Low-Income Home Energy Assistance			389,747	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program: - Permanency Planning - Families for Kids	93.645	G120INC1400	5,710	-	-	1,903
Total Stephanie Tubbs Jones Child Welfare Services Program			5,710	-	-	1,903
LINKS - Transitional Funds	93.674	G120NC1420	2,286	565	-	-
Division of Aging and Adult Services: Division of Social Services: SSBG - Other Service and Training	93.667	G120NCS0SR	196,450	-	-	65,483
SSBG - State In Home Services Over 60	93.667	G120NCS0SR	12,163	-	-	1,738
SSBG - State Adult Day Care	93.667	G120NCS0SR	23,007	18,488	-	5,928
Total Social Service Block Grant			231,619	18,488	-	73,148
Division of Child Development and Early Education: Subsidized Child Care (Note 4) <u>Child Care Development Fund Cluster:</u> Division of Social Services: Child Care Development Mandatory and Match Fund-Administration	93.596	47013123	54,309	-	-	-
Total Subsidized Child Care (Note 4)			54,309	-	-	-
Passed-through the N.C. Dept. of Health & Human Serv.: Division of Medical Assistance: Division of Social Services: Administration: Medical Assistance Program	93.778	5-1205NCSMAP	1,375,907	1,114	-	517,645
Total Medical Assistance Program			1,375,907	1,114	-	517,645
Division of Social Services: Administration: State Children's Insurance Program - N.C. Health Choice	93.767	1715376H1	38,820	588	-	2,637
Total State Children's Insurance Program-N.C. Health Choice			38,820	588	-	2,637

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Public Health Emergency Preparedness	93.069	NU90TP922002	28,252	-	-	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)	93.074	1264-2680EU	2,433	-	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS416676	50	-	-	-
Family Planning Services	93.217	FPH040648-02-00	43,561	-	-	-
Immunization Grants	93.268	NH231P000759-06-00	15,238	-	-	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922104	12,693	-	-	-
Public Health and Social Services Emergency Fund for Provider Relief	93.498	56-6000339	15,070	-	-	-
Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)	93.758	3B01DP009034-13W2	34,706	-	-	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	1H25PS004349	100	-	-	-
Maternal and Child Health Services Block Grant	93.994	B04MC26685	70,750	47,350	-	-
Total U.S. Dept. of Health and Human Services			4,147,152	136,975	-	1,528,126
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Dept. of Public Safety:						
Division of Emergency Management:						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4393-DR-NC	64,885	21,628	-	-
Emergency Management Performance Grant	97.042	EMPG-2016-37165	38,904	-	-	-
Total U. S. Department of Homeland Security			103,789	21,628	-	-
Total Federal Awards			5,573,568	182,014	-	2,063,247
State Awards:						
<u>N.C. Dept. of Administration</u>						
Veterans Service		DMVACNTYGRANTFY20	-	2,182	-	-
Total N.C. Dept. of Administration			-	2,182	-	-
<u>N.C. Dept. of Agriculture and Consumer Services</u>						
Division of Soil and Water Conservation		18-024-4001	-	26,148	-	3,600
Total N.C. Dept. of Agriculture and Consumer Services			-	26,148	-	3,600
<u>N.C. Dept. of Commerce</u>						
Industrial Development Fund/Utility Fund		CU-999	-	575,000	-	-
One NC Grant		2017-20705	-	150,000	-	-
Total N.C. Dept. of Commerce			-	725,000	-	-
<u>N.C. Dept. of Cultural and Natural Resources</u>						
Division of State Library						
State Aid to Public Libraries		56-6000339-E	-	102,140	-	-
Total N.C. Dept. of Cultural and Natural Resources			-	102,140	-	-
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
Scrap Tire Program		SWS1079	-	2,400	-	-
Total N.C. Dept. of Environmental Quality			-	2,400	-	-
<u>N.C. Dept. of Health and Human Services</u>						
Division of Social Services						
DCD Smart Start		566000339	-	11,021	-	-
Energy Assistance Private Grant		566000339	-	5,503	-	-
Foster Care		566000339	25,918	-	-	3,802
AFDC Incentive Program		566000339	-	69	-	-
State Foster Care		566000339	-	38,369	-	38,368
SFHF Maximum		566000339	-	10,243	-	10,243
Total Division of Social Services			25,918	65,205	-	52,413

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
Division of Public Health						
CHA/CHIP Peer Review		11011614110	-	104,491	-	-
General Communicable Disease Control		51011754510	-	7,855	-	-
Family Planning		566000339	-	17,396	-	-
Child Health		B04MC23398	-	1,712	-	-
Women's Health Service Fund		15113A16012	-	5,029	-	-
Food and Lodging		87311534751	-	3,749	-	-
Maternal Health		B04MC23398	-	28,198	-	-
HIV/STD State		53613114536	-	500	-	-
Gonorrhea Partner Services		566000339	-	364	-	-
TPPI - Adolescent Pregnancy Prevention Program		158AA13325166KZ	-	46,483	-	-
CLAS Standards Advancing Health Equity		47412624181	-	9,918	-	-
Tuberculosis Control		55114604551	-	14,552	-	-
Total Division of Public Health			-	240,247	-	-
Total N. C. Department of Health and Human Services			25,918	305,452	-	52,413
N.C. Dept. of Insurance						
SHIIP Grant	93.324	90SAPG0027-03-01	-	4,307	-	-
MIPPA Grant	93.071	1801NCMISH-01	-	1,739	-	-
Total N.C. Dept. of Insurance			-	6,046	-	-
N.C. Dept. of Public Instruction						
Public School Building Capital Fund - Lottery Proceeds		LEA 830	-	385,000	385,000	-
Total N.C. Dept. of Public Instruction			-	385,000	385,000	-
N.C. Dept. of Public Safety						
JCPC Administration		583-11473	-	12,390	12,390	-
Scots for Youth		583-10939	-	124,378	124,378	-
Youth Empowered to Succeed (YES)		583-12295	-	31,341	31,341	-
Total N.C. Department of Public Safety			-	168,109	168,109	-
N.C. Dept. of Transportation						
Rural Operating Assistance Program (ROAP) Cluster						
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	75,596	-	-
- ROAP Rural General Public Program		DOT-16CL	-	81,980	-	-
- ROAP Work First Transitional - Employment		DOT-16CL	-	13,048	-	-
Total ROAP Cluster			-	170,624	-	-
Total State Awards			25,918	1,893,101	603,109	56,013
Total Federal and State Awards			5,599,486	2,075,115	603,109	2,119,261

SCOTLAND COUNTY, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2020

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of SCOTLAND County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of SCOTLAND County, it is not intended to and does not present the financial position, changes in net position or cash flows of Scotland County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

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

Note 4: Cluster of Programs

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

Note 5: Benefit Payments Issued by the State

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

<u>Program Title</u>	<u>CFDA No.</u>	<u>Federal</u>	<u>State</u>
Special Supplemental Nutrition Program for Women Infants and Children	10.557	958,539	-
Supplemental Nutrition Assistance Program	10.551	15,738,444	-
Temporary Assistance for Needy Families	93.558	441,729	-
Adoption Assistance	93.659	-	-
Child Care and Development Block Grant	93.575	-	-
Child Care and Development Fund Mandatory/Match	93.596	-	-
Foster Care - Title IV-E	93.658	-	-
Medical Assistance Program	93.778	58,477,033	26,858,801
Children's Health Insurance Program	93.767	676,666	53,510
Child Welfare Services Adoption		-	120,994
State/County Special Assistance Program		-	241,784

Note 6: Coronavirus Relief Funds

Scotland County received \$816,582 of funding from the Coronavirus Relief Fund (21.019) and received \$675,842.92 in July 2020. At least twenty-five percent (25%) of the funds are mandated to go to municipalities within Scotland County, at the discretion of the County. Municipalities are to have a plan to spend these funds by September 1, 2020, or any funds received are to be returned to the County. Counties and municipalities are liable to the State for funds not spent in accordance with US Dept. of Treasury, the granting agency, guidelines. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under state statute, municipalities are liable to the State, not the County, for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 31, 2021.

