

Statement of
SCOTLAND COUNTY
Laurinburg, North Carolina
June 30, 2019

SCOTLAND COUNTY, NORTH CAROLINA

BOARD OF COUNTY COMMISSIONERS

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Carol H. McCall, Vice Chair

John T. Alford, Commissioner

Whit Gibson, Commissioner

Betty Blue Gholston, Commissioner

Tim Ivey, Commissioner

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COUNTY OFFICIALS

Jason Robinson, Deputy 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
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June 30, 2019

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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, 2019, 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 8.09 percent, 4.57 percent, and 61.16 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, 2019, 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 February 14, 2020, 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

February 14, 2020

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, 2019. 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

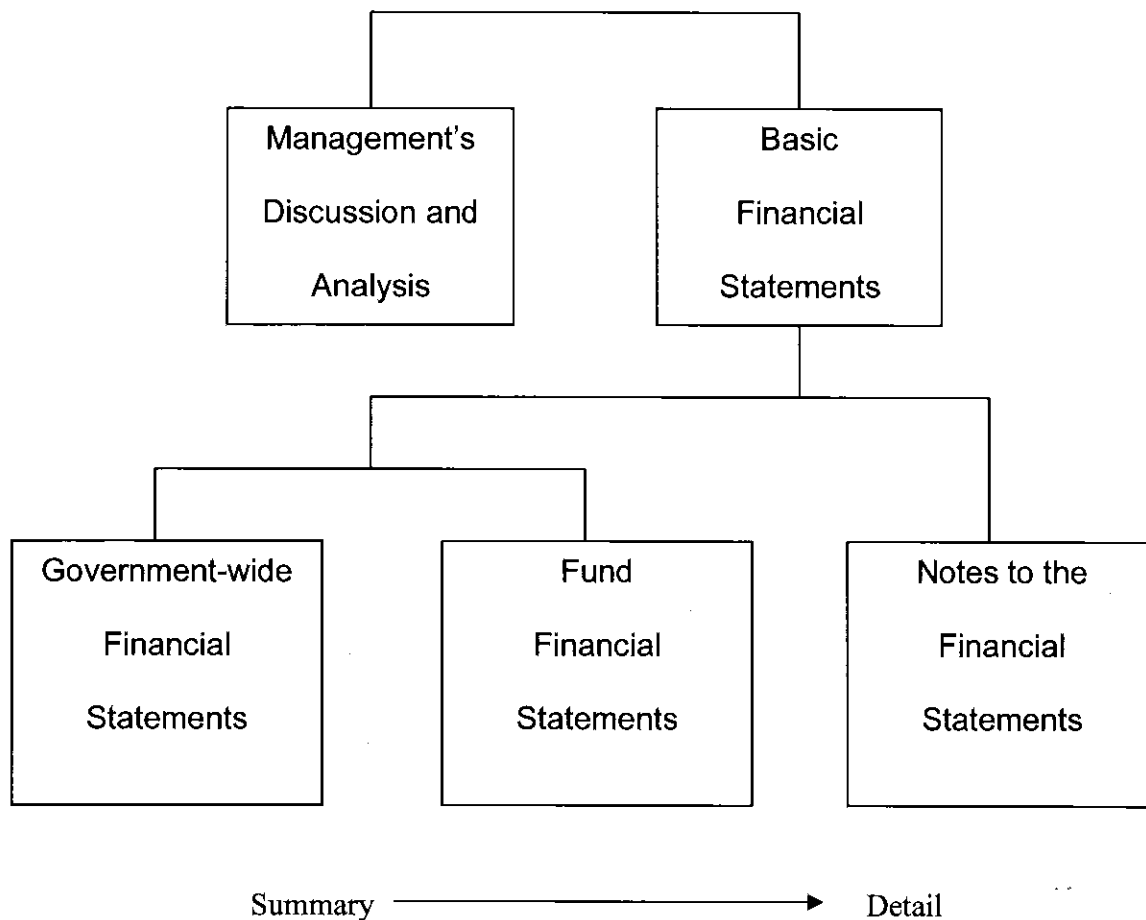
- The liabilities and deferred inflows of resources of Scotland County exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$(21,377,276) (*net position, exhibit 1*).
- The government's total net position decreased by \$(13,377,892) primarily due to actuarial liability valuations related to OPEB.
- As of the close of the current fiscal year, Scotland County's governmental funds reported combined ending fund balances of \$32,346,892 (*exhibit 3*) an increase of \$9,996,171 in comparison with the prior year. Approximately 25.40 percent of this total amount, or \$8,216,745 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 \$8,873,597 or 21.65 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 \$21,377,276 as of June 30, 2019. The County's net position decreased by \$13,377,892 for the fiscal year ended June 30, 2019. One of the largest portions \$13,569,828, (63.48)% 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 \$21,793,091 (102)% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(56,740,194) (265)% is unrestricted.

Scotland County's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 39,427,091	\$ 28,711,991	\$ 2,793,231	\$ 2,107,672	\$ 42,220,322	\$ 30,819,663
Capital assets	14,267,276	12,866,407	8,297,474	8,610,650	22,564,750	21,477,057
Total assets	53,694,367	41,578,398	11,090,705	10,718,322	64,785,072	52,296,720
Total deferred outflows of resources	4,180,987	2,981,982	161,283	89,561	4,342,270	3,071,543
Long-term liabilities outstanding	69,301,962	46,454,243	8,084,282	7,993,226	77,386,244	54,447,469
Other liabilities	4,506,786	3,635,616	337,019	520,876	4,843,805	4,156,492
Total liabilities	73,808,748	50,089,859	8,421,301	8,514,102	82,230,049	58,603,961
Total deferred inflows of resources	7,681,956	4,183,719	592,613	579,963	8,274,569	4,763,682
Net position:						
Net investment in capital assets	10,914,269	10,780,814	2,655,559	2,829,291	13,569,828	13,610,105
Restricted	21,793,090	10,124,263	-	-	21,793,090	10,124,263
Unrestricted	(56,322,710)	(30,618,275)	(417,484)	(1,115,473)	(56,740,194)	(31,733,748)
Total net position	\$ (23,615,351)	\$ (9,713,200)	\$ 2,238,075	\$ 1,713,818	\$ (21,377,276)	\$ (7,999,382)

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

- Continued diligence in the collection of property taxes by keeping our collection percentage around 96.22% 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,698,654	\$ 2,604,114	\$ 4,424,065	\$ 3,869,329	\$ 8,122,719	\$ 6,473,443
Operating grants and contributions	9,092,957	8,283,004	-	-	9,092,957	8,283,004
General revenues:						
Property taxes	23,146,463	23,081,892	-	-	23,146,463	23,081,892
Local option sales tax	7,474,729	7,369,863	-	-	7,474,729	7,369,863
Other taxes	368,316	546,244	76,245	-	444,561	546,244
Interest investment earnings	831,600	337,697	4,446	117	836,046	337,814
Other	984,510	818,930	41,861	-	1,026,371	818,930
Total revenues	45,597,229	43,041,744	4,546,617	3,869,446	50,143,846	46,911,190
Expenses:						
General government	2,702,143	2,504,295	-	-	2,702,143	2,504,295
Public safety	9,861,242	9,281,983	-	-	9,861,242	9,281,983
Economic and physical development	1,471,270	2,378,738	-	-	1,471,270	2,378,738
Central services	1,750,904	1,769,047	-	-	1,750,904	1,769,047
Human services	10,863,273	11,205,465	-	-	10,863,273	11,205,465
Cultural and recreation	1,368,613	1,391,120	-	-	1,368,613	1,391,120
Education	11,093,214	11,222,666	-	-	11,093,214	11,222,666
Contribution to local school (construction)	18,761,025	9,451,902	-	-	18,761,025	9,451,902
Interest on long-term debt	1,627,694	584,048	-	-	1,627,694	584,048
Public works-solid waste	-	-	2,627,549	2,024,561	2,627,549	2,024,561
Water district I	-	-	806,285	835,073	806,285	835,073
Water district II	-	-	588,526	694,701	588,526	694,701
Total expenses	59,499,378	49,789,264	4,022,360	3,554,335	63,521,738	53,343,599
Increase (decrease) in net position before transfers	(13,902,149)	(6,747,520)	524,257	315,111	(13,377,892)	(6,432,409)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(13,902,149)	(6,747,520)	524,257	315,111	(13,377,892)	(6,432,409)
Net position, beginning, previously reported	(9,713,202)	13,338,342	1,713,818	1,773,500	(7,999,384)	15,111,842
Restatement	-	(16,304,022)	-	(374,793)	-	(16,678,815)
Net position, beginning, restated	-	(2,965,680)	-	1,398,707	-	(1,566,973)
Net position ending	\$ (23,615,351)	\$ (9,713,200)	\$ 2,238,075	\$ 1,713,818	\$ (21,377,276)	\$ (7,999,382)

Governmental activities. Governmental activities decreased the County's net position by \$(13,902,149). The decrease was due to actuarial OPEB liabilities.

Business-type activities: Business-type activities increased Scotland County's net position by \$524,257. 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 \$10,513,324, while total fund balance reached \$14,174,262. 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 25.65% of general fund expenditures, while total fund balance represents 34.58% of that same amount.

At June 30, 2019, the governmental funds of Scotland County reported a combined fund balance of \$32,346,892 a 44.72 percent increase over last year. The primary reason for the increase is increase in other financing sources as a result of bond proceeds for school construction.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted revenues by \$1,401,466.

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 \$(1,610,004) and those for the Water District I Fund equaled \$797,651, and those for the Water District II Fund equaled \$394,869. The total change in net position for these funds was \$410,932, \$20,098 and \$93,227, 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, 2019 totals \$22,564,750 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include:

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

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 980,550	\$ 676,640	\$ 314,334	\$ 314,334	\$ 1,294,884	\$ 990,974
Construction in progress	41,772	2,493,993	-	-	41,772	2,493,993
Buildings and system	9,539,722	5,851,210	7,312,909	7,656,236	16,852,631	13,507,446
Machinery and equipment	1,026,277	1,088,976	66,222	51,628	1,092,499	1,140,604
Vehicles and motorized equipment	2,678,955	2,755,588	604,009	588,453	3,282,964	3,344,041
Total	<u>\$ 14,267,276</u>	<u>\$ 12,866,407</u>	<u>\$ 8,297,474</u>	<u>\$ 8,610,651</u>	<u>\$ 22,564,750</u>	<u>\$ 21,477,057</u>

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

Long-term Debt. As of June 30, 2019 Scotland County had total bonded debt outstanding of \$44,788,000 all of which is debt backed by the full faith and credit of the County.

Scotland County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 693,000	\$ 1,646,000	\$ -	\$ -	\$ 693,000	\$ 1,646,000
Limited obligation bonds	38,970,000	15,620,000	5,125,000	5,260,000	44,095,000	20,880,000
Installment purchases	1,558,192	1,906,051	-	-	1,558,192	1,906,051
Accrued landfill closure and postclosure care costs	-	-	2,047,919	1,972,524	2,047,919	1,972,524
Compensated absences	932,871	948,493	49,274	40,155	982,145	988,648
Net pension liability (LGRS)	3,983,257	2,572,735	165,968	107,197	4,149,225	2,679,932
Total pension liability (LEOSSA)	656,755	679,413	-	-	656,755	679,413
Net OPEB liability	22,507,887	23,081,551	696,120	613,352	23,204,007	23,694,903
Total	<u>\$ 69,301,962</u>	<u>\$ 46,454,243</u>	<u>\$ 8,084,281</u>	<u>\$ 7,993,228</u>	<u>\$ 77,386,243</u>	<u>\$ 54,447,471</u>

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 \$132,373,160.

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 6.1% is higher than the State average of 3.4% as of July 2019. However, this is a slight decrease from last year's unemployment rates of 7.8% for the County and a slight decrease of 4.1% for the State.
- Carmichael Farms announced an investment of \$26 million and 50 jobs.
- Carolina Hearts announced an investment of \$400,000 and 30 jobs.

Budget Highlights for the Fiscal Year Ending June 30, 2020

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 5.2% to \$43,749,625. 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 2020.

An availability fee of \$55 and \$85 for the City and County residents, respectively, will remain constant for FY 2020. 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, 2019

	Primary Government			Component Units			
	Governmental Activities	Business- type Activities	Total	Scotland County ABC Board	Scotland Co. Historic Properties Commission	Scotland Co. Tourism Development Authority	Scotland Co. Economic Development Corporation
ASSETS							
Cash and cash equivalents	12,484,994	2,401,865	14,886,859	223,440	363	275,642	971,091
Inventory	-	-	-	175,242	-	-	-
Receivables (net):							
Taxes	2,480,318	-	2,480,318	-	-	-	-
Accounts	179,455	265,871	445,326	-	-	25,228	8,215
Due from other governments	3,297,767	123,671	3,421,438	-	-	-	-
Notes receivable	-	-	-	-	-	-	1,023
Prepaid expenses	50,909	1,824	52,733	4,448	-	4,938	-
Restricted cash	20,887,503	-	20,887,503	-	20,694	-	-
Net pension asset (register of deeds)	46,145	-	46,145	-	-	-	-
Capital assets:							
Land, improvements and construction in progress	1,022,322	314,334	1,336,656	19,000	291,053	-	147,342
Other capital assets, net of depreciation	13,244,954	7,983,140	21,228,094	131,260	387,709	133,264	4,018,443
Total capital assets	14,267,276	8,297,474	22,564,750	150,260	678,762	133,264	4,165,785
Total assets	53,694,367	11,090,705	64,785,072	553,390	699,819	439,072	5,146,114
DEFERRED OUTFLOWS OF RESOURCES							
Pension deferrals	3,311,333	134,386	3,445,719	45,496	-	-	-
OPEB deferrals	869,654	26,897	896,551	-	-	-	-
Total deferred outflows of resources	4,180,987	161,283	4,342,270	45,496	-	-	-
LIABILITIES							
Accounts payable and accrued liabilities	1,576,896	337,019	1,913,915	196,824	-	6,617	59,617
Retainage payable	492,800	-	492,800	-	-	-	-
Liabilities to be paid from restricted assets	2,437,090	-	2,437,090	-	-	-	-
Long-term liabilities:							
Due within one year	1,278,796	140,000	1,418,796	-	1,594	-	296,020
Due in more than one year	68,023,166	7,944,282	75,967,448	189,593	1,468	-	1,592,530
Total long-term liabilities	69,301,962	8,084,282	77,386,244	189,593	3,062	-	1,888,550
Total liabilities	73,808,748	8,421,301	82,230,049	386,417	3,062	6,617	1,948,167
DEFERRED INFLOWS OF RESOURCES							
Prepaid taxes	46,951	-	46,951	-	-	-	-
Pension deferrals	46,166	859	47,025	237	-	-	-
OPEB deferrals	2,419,862	74,841	2,494,703	5,152	-	-	-
Bond premium (net)	5,168,977	516,913	5,685,890	-	-	-	-
Total deferred inflows of resources	7,681,956	592,613	8,274,569	5,389	-	-	-
NET POSITION							
Net investment in capital assets	10,914,269	2,655,559	13,569,828	150,260	675,700	133,264	2,277,235
Restricted for:							
Fire protection	1,753,572	-	1,753,572	-	-	-	-
Emergency telephone	42,423	-	42,423	-	-	-	-
Cultural and recreation	16,158,563	-	16,158,563	-	20,694	-	-
Economic development	-	-	-	-	-	-	-
Stabilization by State statute	3,838,533	-	3,838,533	-	-	25,228	-
Working capital	-	-	-	66,570	-	-	-
Unrestricted	(56,322,710)	(417,484)	(56,740,194)	(9,750)	363	273,963	920,712
Total net position	\$ (23,615,351)	\$ 2,238,075	\$ (21,377,276)	\$ 207,080	\$ 696,757	\$ 432,455	\$ 3,197,947

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, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grant	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Scotland County ABC Board	Scotland County Historic Properties Commission	Scotland County Tourism Development Authority	Scotland County Economic Development Corporation
Primary government:											
Governmental activities:											
General government	2,702,143	647,344	-	-	(2,054,799)	-	(2,054,799)	-	-	-	-
Public safety	9,861,242	1,854,755	-	-	(8,006,487)	-	(8,006,487)	-	-	-	-
Economic and physical development	1,471,270	-	-	2,177,940	706,670	-	706,670	-	-	-	-
Central service	1,750,904	-	-	-	(1,750,904)	-	(1,750,904)	-	-	-	-
Human services	10,863,273	48,911	6,915,016	-	(3,899,346)	-	(3,899,346)	-	-	-	-
Cultural and recreational	1,368,613	134,952	-	-	(1,233,661)	-	(1,233,661)	-	-	-	-
Education	11,093,214	1,012,692	-	-	(10,080,522)	-	(10,080,522)	-	-	-	-
Contribution to local organizations (construction)	18,761,025	-	-	-	(18,761,025)	-	(18,761,025)	-	-	-	-
Interest on long-term debt	1,627,694	-	-	-	(1,627,694)	-	(1,627,694)	-	-	-	-
Total governmental activities	59,499,378	3,698,654	6,915,016	2,177,940	(46,707,768)	-	(46,707,768)	-	-	-	-
Business-type activities:											
Public Works	2,627,549	2,920,375	-	-	-	292,826	292,826	-	-	-	-
Water District Phase I	806,285	824,736	-	-	-	18,451	18,451	-	-	-	-
Water District Phase II	588,526	678,954	-	-	-	90,428	90,428	-	-	-	-
	4,022,360	4,424,065	-	-	-	401,705	401,705	-	-	-	-
Component units:											
ABC Board	-	-	-	-	-	-	-	14,509	-	-	-
Historic Properties	-	-	-	-	-	-	-	-	(30,067)	-	-
Scotland County Tourism Development	-	-	-	-	-	-	-	-	-	(281,679)	-
Scotland County Economic Development Corp.	-	-	-	-	-	-	-	-	-	-	774,959
Total component units	-	-	-	-	-	-	-	14,509	(30,067)	(281,679)	774,959

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, 2019

	Net (Expense) Revenue and Changes in Net Position						
	Primary Government			Component Units			
				Scotland County ABC Board	Scotland Historic Properties Commission	Scotland County Tourism Development Authority	Scotland County Economic Development Corporation
General revenues:							
Taxes:							
Property taxes, levied for general purpose	\$ 23,146,463	\$ -	\$ 23,146,463	\$ -	\$ -	\$ -	\$ -
Local option sales tax	7,474,729	-	7,474,729	-	-	371,386	-
Other taxes and licenses	368,316	76,245	444,561	-	-	-	-
Investment earnings, unrestricted	831,600	4,446	836,046	39	242	-	2,066
Miscellaneous, unrestricted	984,510	41,861	1,026,371	-	13,101	-	-
Total general revenues, special items, and transfers	32,805,618	122,552	32,928,170	39	13,343	371,386	2,066
Change in net position	(13,902,149)	524,257	(13,377,892)	14,548	(16,724)	89,707	777,025
Net position, beginning	(9,713,202)	1,713,818	(7,999,384)	192,532	713,480	342,748	2,420,922
Net position-ending	\$ (23,615,351)	\$ 2,238,075	\$ (21,377,276)	\$ 207,080	\$ 696,756	\$ 432,455	\$ 3,197,947

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, 2019

Exhibit 3

	Major		Non-Major		
	General	School Wings Construction	South Johnson School Construction	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 11,833,241	\$ -	\$ -	\$ 651,753	\$ 12,484,994
Restricted cash	-	1,468,670	17,568,751	1,850,082	20,887,503
Receivables (net)					
Taxes	2,413,271	-	-	67,047	2,480,318
Accounts	179,455	-	-	-	179,455
Due from other governments	2,559,795	50,990	90,050	596,932	3,297,767
Due from other funds	870,779	-	(42,226)	(828,553)	-
Prepaid expense	50,909	-	-	-	50,909
Total assets	<u>\$ 17,907,450</u>	<u>\$ 1,519,660</u>	<u>\$ 17,616,575</u>	<u>\$ 2,337,261</u>	<u>\$ 39,380,946</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	1,272,966	771,071	1,611,932	358,017	4,013,986
Retainage payable	-	-	492,800	-	492,800
Total liabilities	<u>1,272,966</u>	<u>771,071</u>	<u>2,104,732</u>	<u>358,017</u>	<u>4,506,786</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	2,413,271	-	-	67,047	2,480,318
Prepaid taxes	46,951	-	-	-	46,951
Total deferred inflows of resources	<u>2,460,222</u>	<u>-</u>	<u>-</u>	<u>67,047</u>	<u>2,527,269</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenses	50,909	-	-	-	50,909
Restricted:					
Stabilization by State statute	3,610,029	50,990	90,050	87,464	3,838,533
Fire protection	-	-	-	1,753,572	1,753,572
Emergency telephone	-	-	-	42,423	42,423
Capital outlay	-	697,599	15,421,793	39,171	16,158,563
Committed:					
Tax revaluation	-	-	-	376,100	376,100
Assigned:					
Capital outlay	-	-	-	270,320	270,320
Subsequent year's appropriation	1,639,727	-	-	-	1,639,727
Unassigned:					
Total fund balances	<u>8,873,597</u>	<u>-</u>	<u>-</u>	<u>(656,852)</u>	<u>8,216,745</u>
Total fund balances	<u>14,174,262</u>	<u>748,589</u>	<u>15,511,843</u>	<u>1,912,198</u>	<u>32,346,892</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,907,450</u>	<u>\$ 1,519,660</u>	<u>\$ 17,616,575</u>	<u>\$ 2,337,262</u>	

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

Total fund balance, governmental funds	32,346,892
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,267,276
Net pension liability (LERS)	(3,983,257)
Net pension asset - register of deeds	46,145
Other retirement liabilities for (LEO)	(656,755)
Net OPEB liability	(22,507,887)
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	3,241,328
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	70,005
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	869,654
Deferred inflows of resources for taxes and special assessments receivable	2,480,318
Pension related deferrals	(46,166)
OPEB related deferrals	(2,419,862)
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(42,154,064)
Bond premium (deferred inflow of resources) net of accumulated amortization	(5,168,978)
Net position of governmental activities	<u>\$ (23,615,351)</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, 2019

	Major		Non-Major		
	General Fund	School Wings Project Fund	South Johnson School Project Fund	Other Governmental Funds	Total
REVENUES					
Ad valorem taxes	\$ 22,465,082	\$ -	\$ -	\$ 647,540	\$ 23,112,622
Local option sales taxes	7,150,981	-	-	323,748	7,474,729
Other taxes and licenses	51,679	-	-	316,637	368,316
Unrestricted intergovernmental	210,509	-	-	-	210,509
Restricted intergovernmental	7,348,139	-	-	-	7,348,139
Permits and fees	505,449	-	-	-	505,449
Sales and services	2,611,854	-	-	-	2,611,854
Investment earnings	335,573	94,643	393,985	7,399	831,600
Fines, forfeitures	141,895	-	-	-	141,895
Grants	-	-	-	2,177,940	2,177,940
Miscellaneous	496,491	-	-	-	496,491
Total revenues	41,317,652	94,643	393,985	3,473,264	45,279,544
EXPENDITURES					
Current:					
General government	2,494,878	-	-	-	2,494,878
Public safety	8,890,508	-	-	558,571	9,449,079
Economic & physical development	1,130,856	-	-	-	1,130,856
Central service	2,292,159	-	-	-	2,292,159
Human services	10,599,543	-	-	-	10,599,543
Cultural and recreational	1,199,953	-	-	-	1,199,953
School construction	-	4,826,504	11,359,960	-	16,186,464
Other expenditures	167,656	-	-	163,050	330,706
Intergovernmental:					
Education	11,093,214	-	-	-	11,093,214
Capital outlay	-	-	-	3,865,787	3,865,787
Debt service:					
Principal retirement	1,490,859	-	-	-	1,490,859
Interest	1,627,694	-	-	-	1,627,694
Total expenditures	40,987,320	4,826,504	11,359,960	4,587,408	61,761,192
Excess of revenues over (under) expenditures	330,332	(4,731,861)	(10,965,975)	(1,114,144)	(16,481,648)
OTHER FINANCING SOURCES (USES)					
Transfers (to) other funds	(100,000)	(496,710)	-	(83,814)	(680,524)
Transfers from other funds	515,996	-	-	164,529	680,525
Proceeds from bond issuance	-	-	26,477,818	-	26,477,818
Total other financing sources (uses)	415,996	(496,710)	26,477,818	80,715	26,477,819
Net change in fund balance	746,328	(5,228,571)	15,511,843	(1,033,429)	9,996,171
Fund balances - beginning	13,427,934	5,977,160	-	2,945,627	22,350,721
Fund balances - ending	\$ 14,174,262	\$ 748,589	\$ 15,511,843	\$ 1,912,198	\$ 32,346,892

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, 2019

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

Net changes in fund balances - total governmental funds	\$ 9,996,171
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.	20,178,719
Transfer of school construction in process to local school authority	(16,186,465)
Transfer of Fire substation to other entity	(329,342)
Transfer of Capital project to airport authority	(2,245,218)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(16,824)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	962,726
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	64,146
Contribution and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	691,076
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	30,598
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.	(22,049,141)
Effects of bond premium (net of amortization)	(2,931,561) (24,980,702)
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.	(2,067,034)
Total changes in net position of governmental activities	<u>\$ (13,902,151)</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, 2019

	General Fund				School Project Fund-School Wings				School Project Fund-South Johnson			
	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:												
Ad valorem taxes	\$ 22,584,139	\$22,573,939	\$22,465,082	\$ (108,857)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	6,837,714	7,223,814	7,150,981	(72,833)	496,710	496,710	-	(496,710)	-	-	-	-
Other taxes and licenses	60,000	58,000	51,679	(6,321)	-	-	-	-	-	-	-	-
Unrestricted intergovernmental	218,000	221,000	210,509	(10,491)	-	-	-	-	-	-	-	-
Restricted intergovernmental	7,587,290	8,467,031	7,348,139	(1,118,892)	-	-	-	-	-	-	-	-
Permits and fees	440,700	508,550	505,449	(3,101)	-	-	-	-	-	-	-	-
Sales and services	1,616,950	2,725,390	2,611,854	(113,536)	-	-	-	-	-	-	-	-
Investment earnings	91,000	336,000	335,573	(427)	-	-	94,643	94,643	-	-	393,985	393,985
Fines, forfeitures	150,000	150,000	141,895	(8,105)	-	-	-	-	-	-	-	-
Miscellaneous	1,544,768	268,303	496,491	228,188	-	-	-	-	-	-	-	-
Total revenues	41,130,561	42,532,027	41,317,652	(1,214,375)	496,710	496,710	94,643	(402,067)	-	-	393,985	393,985
Expenditures:												
Current:												
General government	2,945,530	2,878,085	2,494,878	383,207	-	-	-	-	-	-	-	-
Public safety	8,763,989	9,548,425	8,890,508	657,917	-	-	-	-	-	-	-	-
Economic and physical development	1,754,729	1,143,977	1,130,856	13,121	-	-	-	-	-	-	-	-
Central services	2,590,338	3,124,997	2,292,159	832,838	-	-	-	-	-	-	-	-
Human services	10,717,434	11,120,322	10,599,543	520,779	-	-	-	-	-	-	-	-
Cultural and recreational	1,300,158	1,341,398	1,199,953	141,445	-	-	-	-	-	-	-	-
School construction	-	-	-	-	15,316,775	15,316,775	4,826,504	10,490,271	26,477,818	26,477,818	11,359,960	15,117,858
Other expenditures	177,332	180,905	167,656	13,249	-	-	-	-	-	-	-	-
Intergovernmental:												
Education	10,879,897	11,102,226	11,093,214	9,012	-	-	-	-	-	-	-	-
Debt service:												
Principal retirement	1,490,859	1,490,859	1,490,859	-	-	-	-	-	-	-	-	-
Interest	863,295	1,664,629	1,627,694	36,935	-	-	-	-	-	-	-	-
Total expenditures	41,483,561	43,595,823	40,987,320	2,608,503	15,316,775	15,316,775	4,826,504	10,490,271	26,477,818	26,477,818	11,359,960	15,117,858
Excess of revenues over (under) expenditures	(353,000)	(1,063,796)	330,332	1,394,128	(14,820,065)	(14,820,065)	(4,731,861)	10,088,204	(26,477,818)	(26,477,818)	(10,965,975)	15,511,843
Other financing sources (uses):												
Transfers (to) other funds	(100,000)	(100,000)	(100,000)	-	(496,710)	(496,710)	(496,710)	-	-	-	-	-
Transfers from other funds	-	515,996	515,996	-	-	-	-	-	-	-	-	-
Proceeds from bond issuance	-	-	-	-	15,316,775	15,316,775	-	(15,316,775)	26,477,818	26,477,818	26,477,818	-
Total other financing sources (uses)	(100,000)	415,996	415,996	-	14,820,065	14,820,065	(496,710)	(15,316,775)	26,477,818	26,477,818	26,477,818	-
Appropriated fund balance	453,000	647,800	-	(647,800)	-	-	-	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	746,328	\$ 746,328	\$ -	\$ -	(5,228,571)	\$ (5,228,571)	\$ -	\$ -	15,511,843	\$ 15,511,843
Fund balances - beginning			13,427,934				5,977,160					
Fund balances - ending			\$14,174,262				\$ 748,589				\$ 15,511,843	

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, 2019

	Enterprise Funds			
	Blended Component Units			Total
	Public Works Fund	Water District I Fund	Water District II Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,141,419	\$ 967,149	\$ 293,297	\$ 2,401,865
Accounts receivable, net	130,092	73,502	62,277	265,871
Prepays	1,824	-	-	1,824
Due from other governments	17,240	67,136	39,295	123,671
Total current assets	1,290,575	1,107,787	394,869	2,793,231
Noncurrent assets:				
Capital assets:				
Land, improvements & const. in progress	314,334	-	-	314,334
Other capital assets, net of depreciation	759,014	2,156,530	5,067,596	7,983,140
Total capital assets	1,073,348	2,156,530	5,067,596	8,297,474
Total assets	2,363,923	3,264,317	5,462,465	11,090,705
Deferred outflows of resources				
Pension deferrals	100,790	33,596	-	134,386
OPEB deferrals	17,931	8,966	-	26,897
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	286,940	50,079	-	337,019
Limited obligation bonds payable	-	50,000	90,000	140,000
Total current liabilities	286,940	100,079	90,000	477,019
Noncurrent liabilities:				
Accrued landfill closure and postclosure costs	2,047,919	-	-	2,047,919
Compensated absences payable	45,348	3,926	-	49,274
Net pension liability	124,477	41,492	-	165,969
Net OPEB liability	464,080	232,040	-	696,120
General obligation bonds payable	-	1,210,000	3,775,000	4,985,000
Total noncurrent liabilities	2,681,824	1,487,458	3,775,000	7,944,282
Total liabilities	2,968,764	1,587,537	3,865,000	8,421,301
Deferred inflows of resources				
Pension deferrals	644	215	-	859
OPEB deferrals	49,894	24,947	-	74,841
Bond premium (net)	-	188,513	328,400	516,913
NET POSITION				
Net investment in capital assets	1,073,346	708,017	874,196	2,655,559
Unrestricted	(1,610,004)	797,651	394,869	(417,484)
Total net position	\$ (536,658)	\$ 1,505,668	\$ 1,269,065	\$ 2,238,075

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, 2019

	Enterprise Funds			
	Blended Component Units			
	Public Works Fund	Water District I Fund	Water District II Fund	Total
Operating revenues:				
Charges for services	\$ 1,877,999	\$ 824,736	\$ 678,954	\$ 3,381,689
Availability fees	1,030,265	-	-	1,030,265
Other operating revenues	12,111	-	-	12,111
Total operating revenues	2,920,375	824,736	678,954	4,424,065
Operating expenses:				
Water purchases	-	335,266	154,480	489,746
Water operations	-	285,843	64,762	350,605
Landfill operations	2,402,480	-	-	2,402,480
Landfill closure and postclosure care costs	75,395	-	-	75,395
Depreciation	149,674	125,495	206,284	481,453
Total operating expenses	2,627,549	746,604	425,526	3,799,679
Operating income	292,826	78,132	253,428	624,386
Nonoperating revenues (expenses):				
Solid waste disposal tax	17,051	-	-	17,051
Scrap tire disposal tax	51,584	-	-	51,584
White goods disposal tax	7,610	-	-	7,610
Surplus property	41,861	-	-	41,861
Bond premium amortization	-	1,647	2,799	4,446
Interest (expense)	-	(59,681)	(163,000)	(222,681)
Total nonoperating revenues (expenses)	118,106	(58,034)	(160,201)	(100,129)
Income before transfers	410,932	20,098	93,227	524,257
Transfers (to) from other funds	-	-	-	-
Change in net position	410,932	20,098	93,227	524,257
Total net position - beginning	(947,590)	1,485,570	1,175,838	1,713,818
Total net position - ending	\$ (536,658)	\$ 1,505,668	\$ 1,269,065	2,238,075

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, 2019

	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	\$ 2,869,992	\$ 811,921	\$ 703,624	\$ 4,385,537
Cash paid for goods and services	(1,487,156)	(603,672)	(573,123)	(2,663,951)
Cash paid to or on behalf of employees for services	(538,520)	(39,964)	-	(578,484)
Net cash provided by operating activities	844,316	168,285	130,501	1,143,102
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
None	-	-	-	-
Total cash flows provided by financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(168,276)	-	-	(168,276)
Interest paid on bond maturities and equipment contracts	-	(59,681)	(163,000)	(222,681)
Principal paid on bond maturities and equipment contracts	-	(50,000)	(85,000)	(135,000)
Net cash (used in) capital and related financing activities	(168,276)	(109,681)	(248,000)	(525,957)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash from surplus property	43,403	-	-	43,403
Net increase (decrease) in cash and cash equivalents	719,443	58,604	(117,499)	660,548
Balances - beginning of the year	421,976	908,545	410,796	1,741,317
Balances - end of the year	<u>\$ 1,141,419</u>	<u>\$ 967,149</u>	<u>\$ 293,297</u>	<u>\$ 2,401,865</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, 2019

	Business-type Activities Enterprise Funds			
	Public Works Fund	Water District I Fund	Water District II Fund	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 292,826	\$ 78,132	\$ 253,428	\$ 624,386
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	149,674	125,495	206,284	481,453
Provision for uncollectible accounts	1,432	404	560	2,396
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	(50,382)	(3,668)	24,670	(29,380)
(Increase) in prepaid items	(1,000)	-	-	(1,000)
(Increase) in deferred outflows of resources - pensions	(36,291)	(12,097)	-	(48,388)
(Increase) in deferred outflows of resources - OPEB	(15,556)	(7,778)	-	(23,334)
Increase (decrease) in net OPEB liability	84,006	(1,238)	-	82,768
Increase in net pension liability	44,079	14,693	-	58,772
(Decrease) in deferred inflows of resources - pensions	(1,866)	(1,052)	-	(2,918)
Increase in deferred inflows of resources-OPEB	13,056	6,528	-	19,584
Increase (decrease) in accounts payable and accrued liabilities	280,233	(31,545)	(354,441)	(105,753)
Increase in accrued vacation pay	8,710	411	-	9,121
Total adjustment	551,490	90,153	(122,927)	518,716
Net cash provided by operating activities	<u>\$ 844,316</u>	<u>\$ 168,285</u>	<u>\$ 130,501</u>	<u>\$ 1,143,102</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, 2019

Assets	
Cash and cash equivalents	<u>439,753</u>
Liabilities	
Miscellaneous liabilities	<u>439,753</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, 2019

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 16800-A US Hwy. 401 Bypass Laurinburg, NC 28352

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

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

The County reports the following major governmental funds:

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

School Construction 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 nine legally budgeted funds. Fire Service District Fund, Revaluation Fund and the Emergency Telephone System Fund are reported as nonmajor special revenue funds. Morgan Center Project Fund, Capital Reserve Fund, CDBG Mountaire Project Fund, Fire Substation Fund, North Carolina Housing Finance Agency Fund and the Edwards Wood Project Fund 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 Fund	19,037,421
Morgan Center Fund	27,039
Fire Service District Fund	1,753,572
Emergency Telephone System Fund	<u>69,471</u>
Total Restricted Cash	<u>20,887,503</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 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 \$(55,962,243) 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)	
Less accumulated depreciation	27,634,968
Net capital assets	<u>(13,367,692)</u>
	14,267,276
Net pension asset-ROD	46,145
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	3,241,328
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	70,005
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	869,654
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	2,480,318
Deferred inflows of resources for bond premiums net of accumulated amortization	(5,168,978)
Pension related deferrals	(46,166)
OPEB related deferrals	(2,419,862)
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	(41,221,191)
Compensated absences	(932,872)
Net pension liability	(3,983,257)
Net OPEB liability	(22,507,887)
Total pension liability (LEOSSA)	<u>(656,755)</u>
Total adjustment	<u>\$ (55,962,243)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. Total adjustment of \$(23,898,320) is comprised of the following:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities.	\$ 21,462,145
Transfer of construction in process to local school authority-school construction project	(16,186,465)
Transfer of fire substation to local entity	(329,342)
Transfer of capital project to local airport authority	(2,245,218)
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.	(1,283,426)
Cost of capital asset disposed of during the year, not recognized on modified accrual.	(16,824)
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.	1,490,859
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	(23,540,000)
Bond premium on new debt issuance (deferred inflow of resources)	(2,937,818)
Bond premium amortization	6,257
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	962,726
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	64,146
Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	691,076
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	15,621
OPEB expense	(704,426)
Pension expense-LGRS	(1,315,563)
-LEOSSA	(62,666)
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	30,598
Total adjustment	<u>\$ (23,898,320)</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 2019-001.

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, 2019, the County's deposits had a carrying amount of \$21,921,152 and a bank balance of \$22,988,350. Of the bank balance \$250,000 was covered by federal depository insurance, and \$120,976 in non-interest bearing deposits and \$22,617,374 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2019, Scotland County had \$2,725 cash on hand.

At June 30, 2019, the carrying amount of deposits for Scotland County ABC Board was \$221,244 and the bank balance was \$196,008. All of the bank balance was covered by federal depository insurance. Of the bank balance \$196,008 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2019, the carrying amount of deposits for Scotland Co. Historic Properties Comm. was \$21,057 and the bank balance was \$21,066. All of the bank balance was covered by federal depository insurance.

At June 30, 2019, the carrying amount of deposits for Scotland Co. Tourism Dev. Authority was \$275,642 and the bank balance was \$276,564. Of the bank balance \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2019, the carrying amount of deposits for Scotland Co. Economic Dev. Corporation was \$971,091 and the bank balance was \$976,280. 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, 2019, 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	10,181,041	10,181,041
NC Capital Management Trust-Term Portfolio*	Fair Value Level 1	4,109,197	4,109,197
Total:		\$ 14,290,238	\$ 14,290,238

*As of June 30, 2019, the NCCMT Term Portfolio has a duration of .11 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, 2019. 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>
2016	826,735	196,350	1,023,085
2017	806,413	118,946	925,359
2018	816,805	46,966	816,805
2019	1,025,413	-	-
Totals	<u>3,475,366</u>	<u>362,262</u>	<u>3,837,628</u>

4. Receivables

Receivables at the government-wide level at June 30, 2019, were as follows:

	Accounts	Taxes and Related Accrued Interest	Due from other Governments	Total
Governmental activities:				
General	\$ 179,455	\$ 2,540,285	\$ 2,559,795	\$ 5,279,535
Other governmental	-	67,047	737,972	805,019
Total receivables	179,455	2,607,332	3,297,767	6,084,554
Allowance for doubtful accounts	-	(127,014)	-	(127,014)
Total - governmental activities	\$ 179,455	\$ 2,480,318	\$ 3,297,767	\$ 5,957,540
Business-type activities:				
Public works	\$ 135,673	\$ -	\$ 17,240	\$ 152,913
Water district I	82,586	-	67,136	149,722
Water district II	68,187	-	39,295	107,482
Total receivables	286,446	-	123,671	410,117
Allowance for doubtful accounts	(20,575)	-	-	(20,575)
Total - business-type activities	\$ 265,871	\$ -	\$ 123,671	\$ 389,542

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

Local option sales tax/sales tax refunds	\$ 2,619,569
Due from grantors	678,198
	<u>\$ 3,297,767</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 676,640	\$ 303,910	\$ -	\$ 980,550
Construction in progress	2,493,993	11,401,732	13,853,953	41,772
Total capital assets not being depreciated	3,170,633	11,705,642	13,853,953	1,022,322
Capital assets being depreciated:				
Buildings & improvements	12,309,332	11,662,411	7,401,065	16,570,678
Equipment and furniture	2,821,457	210,473	36,995	2,994,935
Vehicles and motorized equipment	6,880,091	379,112	212,170	7,047,033
Total capital assets being depreciated	22,010,880	12,251,996	7,650,230	26,612,646
Less accumulated depreciation for:				
Buildings & improvements	6,458,122	572,834	-	7,030,956
Equipment and furniture	1,732,481	267,468	31,291	1,968,658
Vehicles and motorized equipment	4,124,503	443,124	199,549	4,368,078
Total accumulated depreciation	12,315,106	1,283,426	230,840	13,367,692
Total capital assets being depreciated, net	9,695,774			13,244,954
Governmental activity capital assets, net	<u>\$ 12,866,407</u>			<u>\$ 14,267,276</u>

Primary Government

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

General government	\$ 242,684
Public safety	662,082
Central service	60,837
Human services	150,251
Economic and physical development	7,054
Cultural and recreational	160,518
Total depreciation expense	<u>\$ 1,283,426</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Landfill				
Capital assets not being depreciated:				
Land	\$ 314,334	\$ -	\$ -	\$ 314,334
Capital assets being depreciated:				
Buildings	867,187	-	-	867,187
Improvements	366,747	-	-	366,747
Equipment and furniture	90,583	22,376	-	112,959
Vehicles and motorized equipment	1,715,081	145,900	106,824	1,754,157
Total capital assets being depreciated	3,039,598	168,276	106,824	3,101,050
Less accumulated depreciation for:				
Buildings	860,237	4,692	-	\$ 864,929
Improvements	268,999	7,714	-	276,713
Equipment and furniture	43,322	6,924	-	50,246
Vehicles and motorized equipment	1,126,628	130,344	106,824	1,150,148
Total accumulated depreciation	2,299,186	149,674	106,824	2,342,036
Total capital assets being depreciated, net	740,412			759,014
Landfill capital assets, net	<u>\$ 1,054,746</u>			<u>\$ 1,073,348</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	-	-	4,757,446
Furniture and maintenance equipment	8,592	-	-	8,592
Total capital assets being depreciated	4,766,038	-	-	4,766,038
Less accumulated depreciation for:				
Plant and distribution systems	2,479,788	124,636	-	2,604,424
Furniture and maintenance equipment	4,224	859	-	5,083
Total accumulated depreciation	2,484,012	125,495	-	2,609,507
Total capital assets being depreciated, net	2,282,026			2,156,531
Scotland County Water District I capital assets, net	<u>\$ 2,282,026</u>			<u>\$ 2,156,531</u>
Scotland County Water District II				
Capital assets not being depreciated:				
Work in progress	\$ -	-	-	\$ -
Capital assets being depreciated:				
Plant and distribution systems	7,800,406	-	200,168	7,600,238
Total capital assets being depreciated	7,800,406	-	200,168	7,600,238
Less accumulated depreciation for:				
Plant and distribution systems	2,526,526	206,285	200,168	2,532,643
Total accumulated depreciation	2,526,526	206,285	200,168	2,532,643
Total capital assets being depreciated, net	5,273,880			5,067,595
Scotland County Water District II capital assets, net	<u>5,273,880</u>			<u>5,067,595</u>
Business-type activities capital assets, net	<u>\$ 8,610,652</u>			<u>\$ 8,297,474</u>

Discretely presented component units:

Activity for the ABC Board for the year ended June 30, 2019, 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	24,856	9,826	-	34,682
Total capital assets being depreciated	265,936	9,826	-	275,762
Less accumulated depreciation for:				
Buildings	116,621	6,782	-	123,403
Furniture & equipment	19,824	1,275	-	21,099
Total accumulated depreciation	136,445	8,057	-	144,502
Total capital assets being depreciated, net	129,491			131,260
Capital assets, net	\$ 148,491			\$ 150,260

Activity for the Scotland County Historic Properties Commission for the year ended June 30, 2019, was as follows:

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

Activity for the Scotland County Economic Development Corporation for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,659,966	\$ -	\$ 100,000	\$ 1,559,966
Spec Buildings	564,010	131,148	564,010	131,148
Construction in progress	292,478	-	235,498	56,980
Total capital assets not being depreciated	2,516,454	131,148	899,508	1,748,094
Capital assets being depreciated:				
Buildings	1,370,919	1,258,504	-	2,629,423
Furniture and equipment	19,903	-	-	19,903
Total capital assets being depreciated	1,390,822	1,258,504	-	2,649,326
Less accumulated depreciation for:				
Buildings	171,286	40,446	-	211,732
Furniture & equipment	19,903	-	-	19,903
Total accumulated depreciation	191,189	40,446	-	231,635
Total capital assets being depreciated, net	1,199,633			2,417,691
Capital assets, net	<u>\$ 3,716,087</u>			<u>\$ 4,165,785</u>

Activity for the Tourism Development Authority for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Improvements-billboard	\$ -	\$ 135,522	\$ -	\$ 135,522
Total capital assets being depreciated	-	135,522	-	135,522
Less accumulated depreciation for:				
Improvements-billboard	-	2,259	-	2,259
Total accumulated depreciation	-	2,259	-	2,259
Total capital assets being depreciated, net	-			133,264
Capital assets, net	<u>\$ -</u>			<u>\$ 133,264</u>

B. Liabilities

1. Payables & Accrued Liabilities

Payables at the government-wide level at June 30, 2019 were as follows:

	Vendors	Salaries and Benefits	Other	Total
Governmental activities:				
General	\$ 482,333	\$ 790,633	\$ -	\$ 1,272,966
Other governmental	3,233,820	-	-	3,233,820
Total - governmental activities	<u>\$ 3,716,153</u>	<u>\$ 790,633</u>	<u>\$ -</u>	<u>\$ 4,506,786</u>
Business-type activities:				
Public works	\$ 261,493	\$ 25,447	\$ -	\$ 286,940
Water and sewer districts	46,961	3,118	-	50,079
Total - business-type activities	<u>\$ 308,454</u>	<u>\$ 28,565</u>	<u>\$ -</u>	<u>\$ 337,019</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2019, was 8.50% of compensation for law enforcement officers and 7.75% 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 \$992,040 for the year ended June 30, 2019. Contributions to the pension plan from the ABC Board were \$16,135 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, 2019, the County reported a liability of \$4,149,226 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was .175%, which was a decrease of .00052% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$1,306,359. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	640,127	21,479
Changes in assumptions	1,101,044	-
Net difference between projected and actual earnings on pension plan investments	569,565	-
Changes in proportion and differences between contributions and proportionate share of contributions	56,900	-
Employer contributions subsequent to the measurement Date	<u>992,040</u>	<u>-</u>
Total	<u>3,359,676</u>	<u>21,479</u>

\$992,040 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:

2019	\$1,135,085
2020	733,427
2021	139,344
2022	(338,302)
2023	-
Thereafter	<u>2,346,158</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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, 2017 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, 2018 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	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7%. 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 Rate (7%) <u></u>	1% Increase <u>(8%)</u>
County's proportionate share of the net pension liability (asset)	9,966,801	4,149,226	(712,030)

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, 2017, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>38</u>
Total	<u>44</u>

2. Summary of Significant Accounting Policies:

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

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

3. Actuarial Assumptions

The entry age actual cost method was used in the December 31, 2017 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	3.64 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 \$60,248 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, 2019, the County reported a total pension liability of \$656,755. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was rolled forward to December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the County recognized pension expense of \$62,666.

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 15,417	\$ -
Changes of assumptions	21,721	22,803
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>32,867</u>	<u>-</u>
Total	<u>\$ 70,005</u>	<u>\$ 22,803</u>

The County paid \$32,169 in benefit payments and \$698 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, 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	4,640
2021	4,640
2022	4,640
2023	1,743
2024	(1,328)
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 3.64 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 (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	1 % Decrease <u>(2.64%)</u>	Discount Rate (3.64%)	1% Increase <u>(4.64%)</u>
Total pension liability	\$ 700,961	\$ 656,755	\$ 616,046

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

2019

Beginning balance	\$679,413
Service cost	36,810
Interest on the total pension liability	20,518
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	1,033
Changes of assumptions or other inputs	(20,771)
Benefit payments	(60,248)
Other changes	-
Ending balance of the total pension liability	<u>656,755</u>

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.16 percent at June 30, 2017 to 3.64 percent at June 30, 2018.

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, 2017 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 \$81,179 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, 2019, 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, 2019 were \$429,724, which consisted of \$184,062 from the County and \$245,662 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, 2019, 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, 2019 was \$30,970.

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 \$2,782 for the year ended June 30, 2019.

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

At June 30, 2019, the County reported an asset of \$46,145 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2018, the County's proportion was .2786%, which was a decrease of .01484% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$9,204. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	407	2,106
Changes of assumptions	2,170	-
Net difference between projected and actual earnings on pension plan investments	7,355	-
Changes in proportion and differences between county contributions and proportionate share of contributions	3,325	637
County contributions subsequent to the measurement date	2,782	-
Total	<u>16,039</u>	<u>2,743</u>

\$2,782 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, 2020. Other amounts reported as deferred inflows of resources related to pension expense as follows:

Year ended June 30:

2020	5,579
2021	1,624
2022	2,168
2023	1,142
2024	-
Thereafter	-
	<u>10,513</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2018 is 1.4%.

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%. 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 (2.75%)	Discount Rate (3.75 %)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	(36,382)	(46,145)	(54,377)

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, 2017, 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, 2018, with an actuarial valuation date of December 31, 2017. 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)	4,149,226	(46,145)	-	4,103,081
Proportion of the Net Pension Liability (Asset)	.17490%	(.29344)	-	-
Total Pension Liability	-	-	656,755	656,755
Pension Expense	1,306,359	9,204	62,666	1,261,278

At June 30, 2019, 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	640,127	407	15,417	655,951
Changes of assumptions	1,101,044	2,170	21,721	1,124,935
Net difference between projected and actual earnings on pension plan investments	569,565	7,355	-	576,920
Changes in proportion and differences between County contributions and proportionate share of contributions	56,900	3,325	-	60,225
County contributions (LGERS, ROD)/ benefit payments and administration costs (LEOSSA) subsequent to the measurement Date	992,040	2,782	32,867	1,027,689
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	21,479	2,106	-	23,585
Changes of assumptions	-	-	22,803	22,803
Changes in proportion and differences between County contributions and proportionate share of contributions	-	637	-	637

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, 2018 and June 30, 2019, the HCB Plan membership consisted of the following:

	<u>2018</u>	<u>2019</u>
Inactive plan members or beneficiaries currently receiving benefit payments	126	126
Active plan members	<u>306</u>	<u>306</u>
	<u>432</u>	<u>432</u>

Total OPEB Liability

The County's total OPEB liability of \$23,694,903 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 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	3.89 percent
Healthcare cost trend rates	Medical – 7.5%
	Prescription – 7.5%
	Admin Expenses - 3%

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	23,694,903
Changes for the year	
Service cost	497,569
Interest	830,364
Changes of benefit terms	-
Differences between expected and actual experience	121,484
Changes in assumptions or other inputs	(1,193,640)
Benefit payments	(746,673)
Net changes	490,896
Total OPEB liability as of June 30, 2018	<u>23,204,007</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

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

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

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent or 1-percentage-point higher (4.89 percent) than the current discount rate:

	2.89% Decrease	Discount Rate (3.89%)	4.89% Increase
Net OPEB liability	27,119,746	23,204,007	20,079,459

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:

	(Medical-5.5%, Prescription-6.25%, Admin Expenses- 2%)	Discount Rate (Medical-6.5%, Prescription 7.25%, Admin Expenses 3%)	(Medical - 7.5%, Prescription-8.25%, Admin Expenses 4%)
Net OPEB liability	19,830,192	23,204,007	27,442,966

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

For the year ended June 30, 2019, the County recognized OPEB expense of \$790,664. At June 30, 2019, the County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	198,253	-
Changes of assumptions or other inputs	-	2,494,703
Benefit payments and administrative costs made subsequent to the measurement date	<u>698,297</u>	<u>-</u>
Total	<u>896,550</u>	<u>2,494,703</u>

\$698,297 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, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	(498,867)
2020	(498,867)
2021	(498,867)
2022	(498,867)
2023	(256,452)
Thereafter	(44,530)

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 \$2,047,919 reported as landfill closure and postclosure care liability at June 30, 2019 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 \$1,658,685 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 2019. 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	-	5,685,890
Pensions - OPEB difference between expected and actual experience	854,204	23,585
Pensions - OPEB difference between projected and actual investment earnings	576,920	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	60,225	637
Pensions, OPEB - change in assumptions	1,124,935	2,517,506
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	1,027,689	-
Benefit payments for the OPEB plan paid subsequent to measurement date	698,297	-
Prepaid taxes not yet earned (General)	-	46,951
Taxes receivable, net, less penalties (General)	-	2,480,318
Total	<u>4,342,270</u>	<u>10,754,887</u>

5. Risk Management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Claims, Judgments and Contingent Liabilities

At the date of this report, there were no active lawsuits noted.

7. Long-Term Obligations

a. General Obligation Indebtedness

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

The County's general obligation bonds payable at June 30, 2019 are comprised of the following individual issues:

Serviced by the County's General Fund:

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

\$6,690,000 school series 2009 bonds due June 1 in
installments of \$325,000 to \$740,000 through
June 1, 2020; interest at 3.95%
(Replaced school series 1998 and 1999) 325,000
Total 693,000

b. Installment Financing Contracts

\$3,000,000 Wagram Primary Expansion QSCB
first payment due July 15, 2011 in yearly installments
through July 15, 2020. Interest is 5.420% but reimbursed
with tax credits 600,000

\$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 958,192
Total 1,558,192

c. Limited Obligation Bonds

\$13,380,000 Laurel Hill Elementary and Sycamore Lane
Elementary Expansions
First payment due December 1, 2018 in installments of
\$75,000 to \$820,000 through December 1, 2037.
Interest rates vary from 3.00% to 5.00%. 13,305,000

\$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%. 2,125,000

\$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 38,970,000

TOTAL – GENERAL FUND 41,221,192

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

Water District Bonds outstanding at June 30, 2019 in the amount of \$5,125,000 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>
2020	140,000	216,481
2021	145,000	209,356
2022	155,000	201,856
2023	170,000	193,731
2024	170,000	185,231
2025-2029	1,010,000	784,156
2030-2034	1,230,000	502,656
2035-2039	1,255,000	241,016
2040-2043	850,000	56,531
TOTAL	<u>\$ 5,125,000</u>	<u>\$2,591,014</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	693,000	25,099
Total	<u>\$ 693,000</u>	<u>\$ 25,099</u>

At June 30, 2019, Scotland County had a legal debt margin of \$132,373,160.

b. Qualified School Construction Bond

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

The QSCB was executed in June 2011 for various property improvements for use by Scotland County Board of Education. The transaction required ten principal payments by the County of \$300,000 and ten annual interest payments at an interest rate of 5.420%. For Scotland County, the future minimum payments as of June 30, 2019, including \$48,780 of interest are:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	300,000	32,520
2021	300,000	16,260
Total	<u>\$ 600,000</u>	<u>\$ 48,780</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
2020	55,796	34,002
2021	60,340	31,909
2022	65,120	29,647
2023	70,148	27,205
2024	75,434	24,574
2025-2029	466,341	76,111
2030-2031	113,534	4,258
Total	<u>\$ 906,713</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
2020	115,000	95,400
2021	115,000	89,650
2022	115,000	83,900
2023	115,000	78,150
2024	110,000	72,525
2025-2029	565,000	279,000
2030-2034	550,000	138,875
2035-2038	440,000	28,738
Total	<u>\$ 2,125,000</u>	<u>\$ 866,238</u>

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	115,000	1,714,713
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
2025-2029	10,285,000	5,360,563
2030-2034	9,670,000	2,917,516
2035-2038	9,025,000	799,922
Total	<u>\$ 36,845,000</u>	<u>\$ 16,933,316</u>

Debt related to capital activities - of the total governmental activities debt listed, only \$3,031,713 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
Beginning 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	-	-	-	-	-	-
Current amortization	2,470.00	-	3,787.00	1,647.00	2,799.00	10,703.00
Ending accumulated amortization	2,470.00	-	3,787.00	1,647.00	2,799.00	10,703.00
Net bond premium	<u>1,934,305.00</u>	<u>2,937,818.00</u>	<u>296,854.00</u>	<u>188,513.00</u>	<u>328,400.00</u>	<u>5,685,890.00</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, 2019.

	Beginning Balance	Increases	Decreases	Balance June 30, 2019	Current Portion of Balance
Governmental activities:					
General obligation debt	\$ 1,646,000	\$ -	\$ 953,000	\$ 693,000	\$ 693,000
Limited obligation debt	15,620,000	23,540,000	190,000	38,970,000	230,000
Installment financing	1,906,051	-	347,859	1,558,192	355,796
Compensated absences	948,493	458,005	473,627	932,871	-
Total OPEB liability	23,081,551	-	573,664	22,507,887	-
Net pension liability (LGERS)	2,572,735	1,410,522	-	3,983,257	-
Total pension liability-(LEO)	679,413	-	22,658	656,755	-
Total governmental activities	\$ 46,454,243	\$ 25,408,527	\$ 2,560,808	\$ 69,301,962	\$ 1,278,796
Business-type activities:					
Water and sewer districts					
General obligation debt					
Limited obligation bonds	5,260,000	-	135,000	5,125,000	140,000
Compensated absences	3,515	2,868	2,457	3,926	-
Net pension liability (LGERS)	26,800	14,692	-	41,492	-
Net OPEB liability	233,278	-	1,238	232,040	-
Total water and sewer activities	5,523,593	17,560	138,695	5,402,458	140,000
Landfill					
Accrued landfill closure and postclosure care costs	1,972,524	75,395	-	2,047,919	-
Compensated absences	36,639	22,117	13,408	45,348	-
Net pension liability (LGERS)	80,398	44,078	-	124,476	-
Net OPEB liability	380,074	84,006	-	464,080	-
Total landfill activities	2,469,635	225,596	13,408	2,681,823	-
Total business-type activities	\$ 7,993,228	\$ 243,156	\$ 152,103	\$ 8,084,281	\$ 140,000

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

C. Interfund Balances and Activity

Transfers to/from other funds

Transfers to/from other funds at June 30, 2019, consist of the following:

From the General Fund to the:

Revaluation Fund to finance various revaluation expenditures.	100,000
Laurel Hill School Capital Project Fund to the General Fund to Service School Bond debt	496,710
From the Morgan Center Capital project to the General Fund to Service Morgan Center Project	
Bond Debt	19,285
From the Fire Substation Capital Project Fund to the Fire Service District to reimburse for prior year construction expenditures.	64,529
Total	680,524

Due To and From Interfunds and Other Governments**General Fund:**

Due from capital projects for short term funding Exhibit 3 \$870,779

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$14,267,276	\$ 8,297,474
Less: Long term debt	(3,083,192)	(5,125,000)
- Bond premiums	(296,854)	(516,913)
Add: Unspent bond proceeds	27,039	-
Net investment in capital assets	<u>\$10,914,269</u>	<u>\$ 2,655,561</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	\$14,174,262
Less:	
Nonspendable	50,909
Stabilization by State Statute	3,610,029
Appropriated fund balance in 2019-2020 budget	1,639,727
Remaining Fund Balance	8,873,597

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

IV. Jointly Governed Organization

The County, in conjunction with three other counties and twenty-three municipalities, established the Lumber River Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$30,216 to the Council during the fiscal year ended June 30, 2019.

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, 2019, Scotland County approved and paid the sum of \$297,328 to Richmond Community College.

V. Related Party Transactions

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

VI. 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 February 14, 2020, the date which the financial statements were available to be issued.

The County is in the process of constructing a new recycling center to replace the Sneads Grove site which was flooded during Hurricane Florence. The Sneads Grove Recycling Center has been relocated to a new site and the facility is expected to be completed by June 2020.

The Covington Street building is undergoing renovation for the relocation of the Register of Deeds Office. The renovation is expected to be completed in March 2020.

Parts of the Laurel Hill Community Center were damaged in Hurricane Florence. The County has issued a demolition contract to remove three buildings that would be cost prohibitive to renovate and upgrade to current code. The Board of County Commissioners is developing a concept for potential replacement of the facility.

The NC Department of Natural Resources and Conservation Services awarded the County a federal grant in the amount of \$233,612 for assistance with Hurricane Florence damage. These funds are to be used to clean out ditches and other areas that prevented the proper flow of storm water. These funds will be used to address seven preapproved areas of concern in the County. These projects are expected to be completed by March 2020.

Required Supplemental Financial Data

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

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

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

	2019	2018	2017
County's proportion of the net pension liability (asset) %	.175%	.175%	.178%
County's proportionate share of the net pension liability (asset) \$	4,149,226	2,679,932	3,772,875
County's covered-employee payroll	12,800,516	12,139,104	10,975,089
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.41%	22.08%	34.37%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	992,040	910,433	839,797
Contributions in relation to the contractually required contribution	<u>992,040</u>	<u>910,433</u>	<u>839,797</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	12,800,516	12,139,104	11,308,290
Contributions as a percentage of covered-employee payroll	7.75%	7.50%	7.42%

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

	2019	2018	2017
County's proportion of the net pension liability (asset) %	.279	(.293%)	(.309%)
County's proportionate share of the net pension liability (asset) \$	(46,145)	(50,087)	(57,690)
County's covered-employee payroll	56,511	55,902	56,824
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-81.66%	-89.50%	-101.52%
Plan fiduciary net position as a percentage of the total pension liability	153.31%	153.77%	160.17%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	2,782	2,384	2,550
Contributions in relation to the contractually required contribution	<u>2,782</u>	<u>2,384</u>	<u>2,550</u>
Contribution deficiency (excess)	-	-	-
County's covered-employee payroll	56,511	55,902	56,824
Contributions as a percentage of covered-employee payroll	4.92%	4.26%	4.72%

Scotland County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	656,755	679,413	627,701
Covered payroll	1,629,513	1,526,642	1,601,424
Total pension liability as a percentage of covered payroll	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, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	497,569	551,425
Interest	830,364	746,868
Changes of benefit terms	-	-
Differences between expected and actual experience	121,484	141,329
Changes of assumptions	(1,193,640)	(2,192,086)
Benefit payments	<u>(746,673)</u>	<u>(725,648)</u>
Net change in total OPEB liability	<u>(490,896)</u>	<u>(1,478,112)</u>
Total OPEB liability - beginning	<u>23,694,903</u>	<u>25,173,015</u>
Total OPEB liability - ending	23,204,007	23,694,903
 Covered payroll	 10,502,994	 10,502,994
Total OPEB liability as a percentage of covered payroll	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>
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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes		\$ 22,201,836	
Interest		263,246	
Total	\$ 22,573,939	22,465,082	\$ (108,857)
Local option sales taxes:			
Article 39 one percent		2,774,485	
Article 40 one-half of one percent		2,141,140	
Article 42 one-half of one percent		1,559,338	
Article 44 one-half of one percent		676,019	
Total	7,223,814	7,150,981	(72,833)
Other taxes and licenses:			
Franchise tax	58,000	51,679	(6,321)
Unrestricted intergovernmental:			
Beer and wine tax		79,322	
ABC profit distribution		131,187	
Total	221,000	210,509	(10,491)
Restricted intergovernmental:			
State and federal grants		6,915,016	
Lottery proceeds		385,000	
Court facility fees		48,123	
Total	8,467,031	7,348,139	(1,118,892)
Permits and fees:			
Election fees		77	
Inspection fees		286,983	
Register of deeds		218,389	
Total	508,550	505,449	(3,101)

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Revenues - continued:			
Sales and services:			
Jail and other fees		204,447	
Ambulance fees		1,345,853	
Recreation fees		134,952	
Emergency communications revenue		250,000	
Rental revenue		627,692	
Health department fees		48,911	
Total	2,725,390	2,611,854	(113,536)
Investment earnings	336,000	335,573	(427)
Fines, forfeitures	150,000	141,895	(8,105)
Miscellaneous:			
Private donations		1,725	
Sheriff dept. - surveillance - shared revenue		6,332	
Other		488,434	
Total	268,303	496,491	228,188
 Total revenues	 42,532,027	 41,317,652	 (1,214,375)

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		57,804	
Other operating expenditures		27,913	
Total	85,638	85,717	(79)
Administration:			
Salaries and employee benefits		879,540	
Other operating expenditures		34,027	
Capital outlay		6,765	
Reimbursements-proprietary funds		(115,226)	
Total	929,510	805,107	124,404
Elections:			
Salaries and employee benefits		164,956	
Other operating expenditures		62,225	
Total	235,492	227,181	8,311
Tax:			
Salaries and employee benefits		593,359	
Other operating expenditures		194,433	
Capital outlay		6,765	
Total	975,413	794,557	180,856
Legal:			
Contracted services		51,867	
Total	58,125	51,867	6,258
Register of deeds:			
Salaries and employee benefits		208,746	
Other operating expenditures		48,033	
Total	267,595	256,779	10,816

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Court facilities:			
Other operating expenditures		3,505	
Capital outlay		<u>5,008</u>	
Total	<u>9,415</u>	<u>8,513</u>	<u>902</u>
Information technology:			
Salaries and employee benefits		168,202	
Other operating expenditures		86,856	
Capital outlay		<u>10,100</u>	
Total	<u>316,897</u>	<u>265,158</u>	<u>51,739</u>
Total general government	<u>2,878,085</u>	<u>2,494,878</u>	<u>383,207</u>
Public safety:			
Sheriff and communications:			
Salaries and employee benefits		2,534,880	
Other operating expenditures		323,838	
Capital outlay		<u>283,207</u>	
Total	<u>3,371,145</u>	<u>3,141,925</u>	<u>229,220</u>
Jail:			
Salaries and employee benefits		1,130,640	
Other operating expenditures		779,555	
Capital outlay		<u>36,329</u>	
Total	<u>2,109,079</u>	<u>1,946,524</u>	<u>162,555</u>
Emergency ambulatory & services:			
Salaries and employee benefits		1,641,880	
Other operating expenditures		341,450	
Capital outlay		<u>104,155</u>	
Total	<u>2,257,188</u>	<u>2,087,484</u>	<u>169,704</u>

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Emergency communications:			
Salaries and employee benefits		878,583	
Other operating expenditures		<u>104,638</u>	
Total	<u>1,015,645</u>	<u>983,220</u>	<u>32,425</u>
Forestry service	99,896	86,062	13,834
Inspections:			
Salaries and employee benefits		305,597	
Other operating expenditures		<u>24,510</u>	
Total	<u>353,104</u>	<u>330,107</u>	<u>22,997</u>
Planning & zoning:			
Salaries and employee benefits		646	
Other operating expenditures		<u>1,993</u>	
Total	<u>5,798</u>	<u>2,639</u>	<u>3,159</u>
Scotland County Rescue Squad	32,000	24,922	7,078
Medical examiner	55,993	38,601	17,392
Animal control:			
Salaries and employee benefits		104,966	
Other operating expenditures		<u>16,661</u>	
Total	<u>122,177</u>	<u>121,627</u>	<u>550</u>
Humane society	116,400	117,395	(995)
Surveillance and drugs:			
Other operating expenditures		<u>10,000</u>	
Total	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total public safety	<u>9,548,425</u>	<u>8,890,508</u>	<u>657,917</u>

Scotland County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Expenditures - continued:			
Central service:			
General:			
Other operating expenditures		429,088	
Capital outlay		498,106	
Total	1,550,623	927,194	623,429
Public buildings:			
Salaries and employee benefits		811,639	
Other operating expenditures		435,355	
Capital outlay		117,970	
Total	1,574,374	1,364,964	209,410
Total central service	3,124,997	2,292,159	832,838
Economic and physical development:			
Industry grants		866,503	
Region N-council of government		30,216	
SEDC		3,254	
Total	899,973	899,973	-
Co-op extension:			
Salaries and employee benefits		3,718	
Other operating expenditures		156,083	
Total	169,073	159,801	9,272
Soil and water conservation:			
Salaries and employee benefits		66,914	
Other operating expenditures		4,168	
Total	74,931	71,082	3,849
Total economic & physical development	1,143,977	1,130,856	13,121

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>
Expenditures - continued:			
Other expenditures:			
Juvenile counseling		106,773	
Historic Properties		19,500	
Scotland Home Health, Inc.		41,383	
Total other expenditures	180,905	167,656	13,249
Human services:			
Health:			
Administration:			
Salaries and employee benefits		718,906	
Other operating expenditures		129,188	
Capital outlay		20,448	
Total	973,952	868,542	105,410
Tuberculosis:			
Salaries and employee benefits		15,356	
Other operating expenditures		4,147	
Total	24,254	19,503	4,751
Orthopedic		70,062	
Wise woman		30,387	
Child health		80,502	
Primary care		20,131	
Communicable diseases		334,339	
Total	601,097	535,419	65,678
Cancer prevention:			
Salaries and employee benefits		4,875	
Other operating expenditures		3,837	
Total	9,113	8,713	400

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Expenditures - continued:			
Family planning:			
Salaries and employee benefits		281,769	
Other operating expenditures		98,720	
Total	395,837	380,489	15,348
Maternal and child health:			
Salaries and employee benefits		174,879	
Other operating expenditures		53,041	
Total	248,851	227,920	20,931
Women, infants, and children:			
Salaries and employee benefits		268,226	
Other operating expenditures		52,407	
Total	329,154	320,633	8,521
Environmental health:			
Salaries and employee benefits		126,938	
Other operating expenditures		92,481	
Total	226,829	219,419	7,410
Child services coordinator:			
Salaries and employee benefits		133,899	
Other operating expenditures		2,270	
Total	142,669	136,169	6,500
MCC	164,701	158,498	6,203
Immunization:			
Salaries and employee benefits		29,144	
Other operating expenditures		41,265	
Total	74,151	70,409	3,742

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Adult health:			
Salaries and employee benefits		69,727	
Other operating expenditures		10,068	
Total	84,269	79,796	4,473
Preparedness response:			
Salaries and employee benefits		2,923	
Other operating expenditures		26,008	
Total	31,133	28,931	2,202
Clas standards:			
Other operating expenditures		5,538	
Total	15,000	5,538	9,462
Substance misuse prevention:			
Salaries and employee benefits		8,361	
Other operating expenditures		5,011	
Total	37,663	13,372	24,291
Mental health:			
County participation cost		72,920	
ABC 5 cent bottle tax		7,750	
Total	80,720	80,670	50
Total health	3,439,393	3,154,021	285,372

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Social services:			
Administration:			
Salaries and employee benefits		5,131,670	
Other operating expenditures		1,870,904	
Capital outlay		15,150	
Total	7,105,515	7,017,724	87,791
Transportation:			
Salaries and employee benefits		263,719	
Other operating expenditures		79,008	
Total	489,987	342,727	147,260
Re-entry council:			
Salaries and employee benefits		22,190	
Total	22,167	22,190	(23)
Total social services	7,617,669	7,382,641	235,028
Veterans service officer:			
Salaries and employee benefits		62,051	
Other operating expenditures		830	
Total	63,261	62,881	380
Total human services	11,120,323	10,599,543	520,780

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Expenditures - continued:			
Cultural and recreational:			
Recreation:			
Salaries and employee benefits		480,283	
Other operating expenditures		270,352	
Total	861,159	750,635	110,524
Libraries:			
Salaries and employee benefits		288,378	
Other operating expenditures		154,713	
Capital outlay		6,228	
Total	480,239	449,319	30,920
Total cultural and recreational	1,341,398	1,199,953	141,445
Education:			
Public schools - current expense		10,269,897	
Public schools - lottery-capital outlay		85,000	
Fines and forfeitures		140,989	
Contributions of capital		300,000	
Community colleges - current		297,328	
Total education	11,102,225	11,093,214	9,011
Debt service:			
Principal retirement		1,490,859	
Interest and fees, other		1,627,694	
Total debt service	3,155,488	3,118,553	36,935
Total expenditures	43,595,823	40,987,320	2,608,503
Revenues over (under) expenditures	(1,063,796)	330,333	1,394,129

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, 2019

	2019		Variance
	<u>Budget</u>	<u>Actual</u>	Positive (Negative)
Other financing sources (uses):			
Transfers to other funds:			
Special revenue funds revaluation fund	(100,000)	(100,000)	
Transfers from other funds:			
911 fund	<u>515,996</u>	<u>515,996</u>	
Total net transfers	415,996	415,996	-
Total other financing sources (uses)	(415,996)	415,996	-
Appropriated fund balance	<u>647,800</u>	<u>-</u>	<u>(647,800)</u>
Net change in fund balance	<u>\$ -</u>	746,328	<u>\$ 746,328</u>
Fund balances:			
Beginning of year, July 1		<u>13,427,934</u>	
End of year, June 30		<u>\$ 14,174,262</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, 2019

	<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	-	112,287	94,643	206,930	206,930
Total revenues	496,710	112,287	94,643	206,930	(289,780)
Expenditures:					
Rehabilitation/construction	15,316,775	9,451,902	4,826,504	14,278,406	1,038,369
Total expenditures	15,316,775	9,451,902	4,826,504	14,278,406	1,038,369
Revenues (under) expenditures	(14,820,065)	(9,339,615)	(4,731,861)	(14,071,476)	748,589
Other financing sources (uses):					
Transfers	(496,710)	-	(496,710)	(496,710)	-
Proceeds from bond issuance	13,380,000	13,380,000	-	13,380,000	-
Proceeds from bond premium	1,936,775	1,936,775	-	1,936,775	-
Total other financing sources (uses)	14,820,065	15,316,775	(496,710)	14,820,065	-
Revenues and other sources (uses) over (under) expenditures	<u>\$ -</u>	<u>\$ 5,977,160</u>	<u>(5,228,571)</u>	<u>\$ 748,589</u>	<u>\$ 748,589</u>
Fund balances - beginning			5,977,160		
Fund balances - ending			<u>\$ 748,589</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, 2019

	<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	393,985	393,985
Total revenues	-	-	393,985	393,985	393,985
Expenditures:					
Rehabilitation/construction	26,477,818	-	11,359,960	11,359,960	15,117,858
Total expenditures	26,477,818	-	11,359,960	11,359,960	15,117,858
Revenues (under) expenditures	(26,477,818)	-	(10,965,975)	(10,965,975)	15,511,843
Other financing sources:					
Transfers	-	-	-	-	-
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	26,477,818	-	26,477,818	26,477,818	-
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	15,511,843	<u>\$ 15,511,843</u>	<u>\$15,511,843</u>
Fund balances - beginning			-		
Fund balances - ending			<u>\$15,511,843</u>		

Scotland County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds				Capital Project Funds							
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds	Morgan Center Project Fund	Capital Reserve Fund	CDBG Mountaire Project Fund	Fire Substation Fund	North Carolina Housing Finance Agency	Edwards Wood Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS												
Cash and cash equivalents	\$ -	\$ 376,183	\$ -	\$ 376,183	\$ -	\$ 275,570	\$ -	\$ -	\$ -	\$ -	\$ 275,570	\$ 651,753
Restricted cash	1,753,572	-	69,471	1,823,043	27,039	-	-	-	-	-	27,039	1,850,082
Taxes receivable	67,047	-	-	67,047	-	-	-	-	-	-	-	67,047
Due from other governments/grantors	61,120	-	26,344	87,464	12,132	-	156,500	-	15,200	325,636	509,468	596,932
Total assets	\$ 1,881,739	\$ 376,183	\$ 95,815	2,353,737	\$ 39,171	\$ 275,570	\$ 156,500	\$ -	\$ 15,200	\$ 325,636	812,077	3,165,814
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	-	83	27,048	27,131	-	5,250	-	-	-	325,636	330,886	358,017
Due to general fund	-	-	-	-	-	-	282,234	-	15,200	531,118	828,552	828,552
Total liabilities	-	83	27,048	27,131	-	5,250	282,234	-	15,200	856,754	1,159,438	1,186,569
DEFERRED INFLOWS OF RESOURCES												
Taxes receivable	67,047	-	-	67,047	-	-	-	-	-	-	-	67,047
Total deferred inflows of resources	67,047	-	-	67,047	-	-	-	-	-	-	-	67,047
Fund balances:												
Restricted for:												
Stabilization by state statute	61,120	-	26,344	87,464	-	-	-	-	-	-	-	87,464
Fire protection	1,753,572	-	-	1,753,572	-	-	-	-	-	-	-	1,753,572
Emergency telephone	-	-	42,423	42,423	-	-	-	-	-	-	-	42,423
Capital outlay	-	-	-	-	39,171	-	-	-	-	-	39,171	39,171
Committed:												
Revaluation	-	376,100	-	376,100	-	-	-	-	-	-	-	376,100
Assigned:												
Capital outlay	-	-	-	-	-	270,320	-	-	-	-	270,320	270,320
Unassigned	-	-	-	-	-	-	(125,734)	-	-	(531,118)	(656,852)	(656,852)
Total fund balances	1,814,692	376,100	68,767	2,259,559	39,171	270,320	(125,734)	-	-	(531,118)	(347,361)	1,912,198
Total liabilities, deferred inflows of resources and fund balances	\$ 1,881,739	\$ 376,183	\$ 95,815	2,353,737	\$ 39,171	\$ 275,570	\$ 156,500	\$ -	\$ 15,200	\$ 325,636	\$ 812,077	\$ 3,165,814

Scotland County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Funds				Capital Project Funds							
	Fire Service District Fund	Revaluation Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds	Morgan Center Project Fund	Capital Reserve Fund	CDBG Mountaire Project Fund	Fire Substation Fund	North Carolina Housing Finance Agency	Edwards Wood Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:												
Ad valorem taxes	\$ 647,540	\$ -	\$ -	\$ 647,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647,540
Other taxes, licenses & fees	510	-	316,127	316,637	-	-	-	-	-	-	-	316,637
Sales tax	323,748	-	-	323,748	-	-	-	-	-	-	-	323,748
Other grants	-	-	-	-	-	-	1,778,208	25,596	48,500	325,636	2,177,940	2,177,940
Investment earnings	6,632	-	-	6,632	767	-	-	-	-	-	767	7,399
Total revenues	978,430	-	316,127	1,294,557	767	-	1,778,208	25,596	48,500	325,636	2,178,707	3,473,264
Expenditures:												
Public safety	305,502	-	253,069	558,571	-	-	-	-	-	-	-	558,571
Other	-	114,550	-	114,550	-	-	-	-	48,500	-	48,500	163,050
Capital outlay	9,645	-	68,414	78,059	1,139,203	17,920	1,665,043	108,808	-	856,754	3,787,728	3,865,787
Total expenditures	315,147	114,550	321,483	751,180	1,139,203	17,920	1,665,043	108,808	48,500	856,754	3,836,228	4,587,408
Revenues over (under) expenditures	663,283	(114,550)	(5,356)	543,377	(1,138,436)	(17,920)	113,165	(83,212)	-	(531,118)	(1,657,521)	(1,114,144)
Other financing sources (uses):												
Transfers from other funds	64,529	100,000	-	164,529	-	-	-	-	-	-	-	164,529
Transfers to other funds	-	-	-	-	(19,285)	-	-	(64,529)	-	-	(83,814)	(83,814)
Total other financing sources (uses)	64,529	100,000	-	164,529	(19,285)	-	-	(64,529)	-	-	(83,814)	80,715
Net change in fund balances	727,812	(14,550)	(5,356)	707,906	(1,157,721)	(17,920)	113,165	(147,741)	-	(531,118)	(1,741,335)	(1,033,429)
Fund balances-beginning	1,086,880	390,650	74,123	1,551,653	1,196,892	288,240	(238,899)	147,741	-	-	1,393,974	2,945,627
Fund balances - ending	\$ 1,814,692	\$ 376,100	\$ 68,767	2,259,559	\$ 39,171	\$ 270,320	\$ (125,734)	\$ -	\$ -	\$ (531,118)	\$ (347,361)	\$ 1,912,198

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 641,750	\$ 647,540	\$ 5,790
Other taxes, licenses & fees	500	510	10
Sales tax	317,000	323,748	6,748
Investment earnings	6,600	6,632	32
Total revenues	965,850	978,430	12,580
Expenditures:			
Public safety	427,379	305,502	121,877
Capital outlay	603,000	9,645	593,355
Total expenditures	1,030,379	315,147	715,232
Revenues over (under) expenditures	(64,529)	663,283	727,812
Other financing sources:			
Transfers from fire substation	64,529	64,529	-
Appropriated fund balance	-	-	-
Total other financing sources	64,529	64,529	-
Revenues and other sources over expenditures	\$ -	727,812	\$ 727,812
Fund balances - beginning		1,086,880	
Fund balances - ending		\$ 1,814,692	

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
None	\$ -	\$ -	\$ -
Expenditures:			
Revaluation	100,000	114,550	(14,550)
Revenues (under) expenditures	(100,000)	(114,550)	(14,550)
Other financing sources:			
Transfers:			
General fund	100,000	100,000	-
Total other financing sources	100,000	100,000	-
Revenues and other sources (under) expenditures	\$ -	(14,550)	\$ (14,550)
Fund balances - beginning		390,650	
Fund balances - ending		\$ 376,100	

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, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other taxes, licenses & fees	\$ 316,127	\$ 316,127	\$ -
Total revenues	<u>316,127</u>	<u>316,127</u>	<u>-</u>
Expenditures:			
Public safety	381,980	321,483	60,497
Total expenditures	<u>381,980</u>	<u>321,483</u>	<u>60,497</u>
Revenues (under) expenditures	(65,853)	(5,356)	60,497
Other financing sources (uses):			
Appropriated fund balance	65,853	-	(65,853)
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	65,853	-	(65,853)
Revenues and other sources (under) expenditures	<u>\$ -</u>	(5,356)	<u>\$ (5,356)</u>
Fund balances - beginning		<u>74,123</u>	
Fund balances - ending		<u>\$ 68,767</u>	

Scotland County, North Carolina
Morgan Center Project
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Investment earnings	\$ 19,285	\$ 20,192	\$ 767	\$ 20,959	\$ 1,674
Total revenues	19,285	20,192	767	20,959	1,674
Expenditures:					
Rehabilitation/construction	2,540,641	1,363,941	1,139,203	2,503,144	37,497
Total expenditures	2,540,641	1,363,941	1,139,203	2,503,144	37,497
Revenues (under) expenditures	(2,521,356)	(1,343,749)	(1,138,436)	(2,482,185)	39,171
Other financing sources (uses):					
Transfers to other funds	(19,285)	-	(19,285)	(19,285)	-
Proceeds from bond issuance	2,240,000	2,240,000	-	2,240,000	-
Proceeds from bond premium	300,641	300,641	-	300,641	-
Total other financing sources (uses)	2,521,356	2,540,641	(19,285)	2,521,356	-
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 1,196,892	(1,157,721)	\$ 39,171	\$ 39,171
Fund balances - beginning			1,196,892		
Fund balances - ending			\$ 39,171		

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, 2019

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Other contracted services	289,000	760	17,920	18,680	270,320
Total expenditures	289,000	760	17,920	18,680	270,320
Revenues (under) expenditures	(289,000)	(760)	(17,920)	(18,680)	270,320
Other financing sources:					
Transfers	289,000	144,000	-	144,000	(145,000)
Total other financing sources	289,000	144,000	-	144,000	(145,000)
Revenues and other sources over (under) expenditures	\$ -	\$ 143,240	(17,920)	\$ 125,320	\$ 125,320
Fund balances - beginning			288,240		
Fund balances - ending			\$ 270,320		

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, 2019

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
CDBG - Grant	\$ 1,350,000	\$ 341,276	\$ 910,928	\$ 1,252,204	\$ (97,796)
Other State Grant	162,000	-	-	-	(162,000)
Private Grant	<u>1,250,000</u>	<u>-</u>	<u>867,280</u>	<u>867,280</u>	<u>(382,720)</u>
Total revenues	2,762,000	341,276	1,778,208	2,119,484	(642,516)
Expenditures:					
Rehabilitation and construction	<u>2,762,000</u>	<u>580,175</u>	<u>1,665,043</u>	<u>2,245,218</u>	<u>516,782</u>
Total expenditures	<u>2,762,000</u>	<u>580,175</u>	<u>1,665,043</u>	<u>2,245,218</u>	<u>516,782</u>
Revenues over (under) expenditures	-	(238,899)	113,165	(125,734)	(125,734)
Other financing sources:					
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ (238,899)</u>	113,165	<u>\$ (125,734)</u>	<u>\$ (125,734)</u>
Fund balances - beginning			<u>(238,899)</u>		
Fund balances - ending			<u>\$ (125,734)</u>		

Scotland County, North Carolina
Fire Substation
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ -	\$ -	\$ 25,596	\$ 25,596	\$ 25,596
Total revenues	-	-	25,596	25,596	25,596
Expenditures:					
Rehabilitation and construction	633,089	549,877	108,808	658,685	(25,596)
Total expenditures	633,089	549,877	108,808	658,685	(25,596)
Revenues (under) expenditures	(633,089)	(549,877)	(83,212)	(633,089)	-
Other financing sources (uses):					
Transfers	633,089	697,618	(64,529)	633,089	-
Total other financing sources (uses)	633,089	697,618	(64,529)	633,089	-
Revenues and other sources (uses) over (under) expenditures	\$ -	\$ 147,741	(147,741)	\$ -	\$ -
Fund balances - beginning			147,741		
Fund balances - ending			\$ -		

Scotland County, North Carolina
North Carolina Housing Finance Agency
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	<u>Budget Authorization</u>	<u>Prior Years</u>	<u>Actual</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Grants	\$ 50,000	\$ -	\$ 48,500	\$ 48,500	\$ (1,500)
Total revenues	50,000	-	48,500	48,500	(1,500)
Expenditures:					
Rehabilitation and construction	50,000	-	48,500	48,500	1,500
Total expenditures	50,000	-	48,500	48,500	1,500
Revenues over expenditures	-	-	-	-	-
Other financing sources:					
Transfers	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning			-		
Fund balances - ending			<u>\$ -</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, 2019

	<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	\$ 325,636	\$ (699,364)
Total revenues	1,025,000	-	325,636	325,636	(699,364)
Expenditures:					
Rehabilitation and construction	1,025,000	-	856,755	856,755	168,245
Total expenditures	1,025,000	-	856,755	856,755	168,245
Revenues (under) expenditures	-	-	(531,119)	(531,119)	(531,119)
Other financing sources:					
Transfers	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Revenues and other sources (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(531,119)	<u>\$ (531,119)</u>	<u>\$ -</u>
Fund balances - beginning			-		
Fund balances - ending			<u>\$ (531,119)</u>		

Scotland County, North Carolina
Public Works
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Tipping fees		\$ 1,877,999	
Availability fees		1,030,265	
Other operating revenues		<u>131,211</u>	
Total operating revenues	<u>\$ 2,999,848</u>	<u>3,039,474</u>	<u>\$ 39,626</u>
Expenditures:			
Operating expenses:			
Salaries & employee benefits		551,723	
Supplies		16,713	
Repairs & maintenance		274,774	
Contracted services		217,495	
Waste disposal		1,036,971	
Management fees		61,320	
Other operating expenditures		<u>146,908</u>	
Total operating expenses	<u>2,831,572</u>	<u>2,305,904</u>	<u>525,668</u>
Capital outlays:			
Equipment - vehicle	<u>168,276</u>	<u>168,276</u>	<u>-</u>
Total expenditures	<u>2,999,848</u>	<u>2,474,180</u>	<u>525,668</u>
Revenues over expenditures	<u>\$ -</u>	<u>565,294</u>	<u>\$ 565,294</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlays		168,276	
Depreciation		(149,674)	
Increase in deferred outflows of resources-pensions		36,292	
(Increase) in net pension liability		(44,079)	
Decrease in deferred inflows of resources-pensions		1,866	
Increase in deferred outflows of resources-OPEB		15,556	
(Increase) in deferred inflows of resources-OPEB		(13,056)	
(Increase) in net OPEB liability		(84,006)	
(Increase) in accrued vacation		(8,710)	
(Increase) in accrued landfill closure and postclosure costs		(75,395)	
Bad debts		<u>(1,432)</u>	
Total reconciling items		<u>(154,362)</u>	
Change in net position		<u>\$ 410,932</u>	

Scotland County, North Carolina
Water District I Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		\$ 824,736	
Total operating revenues	\$ 819,000	824,736	\$ 5,736
Expenditures:			
Operating expenses:			
Salaries and employee benefits		47,097	
Water purchases		335,266	
Management fees		53,906	
Other operating expenditures		184,839	
Total operating expenses	709,319	621,108	88,211
Debt service:			
Principal retirement		50,000	
Interest		59,681	
Total	109,681	109,681	-
Total expenditures	819,000	730,789	88,211
Revenues over expenditures	\$ -	93,947	\$ 93,947
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payment		50,000	
Depreciation		(125,495)	
Increase in deferred outflows of resources-pensions		12,097	
(Increase) in net pension liability		(14,693)	
Decrease in deferred inflows of resources-pensions		922	
Increase in deferred outflows of resources-OPEB		7,778	
(Increase) in deferred inflows of resources-OPEB		(6,528)	
Decrease in OPEB liability		1,238	
Amortization of bond premium		1,647	
Bad debts		(404)	
(Increase) in accrued vacation		(411)	
Total reconciling items		(73,849)	
Change in net position		\$ 20,098	

Scotland County, North Carolina
Water District II Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services:			
Water sales		\$ 511,496	
Water taps		167,458	
Total operating revenues	\$ 695,000	678,954	\$ (16,046)
Expenditures:			
Operating expenses:			
Water purchases		154,480	
Other operating expenditures		64,202	
Total operating expenses	447,000	218,683	228,317
Debt service:			
Principal retirement		85,000	
Interest		163,000	
Total	248,000	248,000	-
Total expenditures	695,000	466,683	228,317
Revenues over expenditures	\$ -	212,271	\$ 212,271
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal payments		85,000	
Depreciation		(206,284)	
Amortization of bond premium		2,799	
Bad debts		(560)	
Total reconciling items		(119,045)	
Change in net position		\$ 93,227	

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Social Services				
Assets:				
Cash & cash equivalents	28,696	133,553	139,337	22,911
Liabilities:				
Miscellaneous liabilities	28,696	133,553	139,337	22,911
Fines and Forfeitures				
Assets:				
Cash	4,613	471,121	472,461	3,275
Liabilities:				
Intergovernmental payable	-	141,895	140,989	906
Other tax	4,613	329,226	331,471	2,368
Total liabilities	4,613	471,121	472,461	3,275
Motor Vehicle Tax				
Assets:				
Cash & cash equivalents	241	631,588	634,406	(2,577)
Liabilities:				
Miscellaneous liabilities	241	631,588	634,406	(2,577)
Inmate Trust Fund				
Assets:				
Cash	54,759	229,341	209,251	74,849
Liabilities:				
Inmate funds	54,759	229,341	209,251	74,849
Tourism Development Fund				
Assets:				
Cash	250,421	449,263	424,042	275,642
Liabilities:				
Miscellaneous liabilities	250,421	449,263	424,042	275,642
Parks and Recreation				
Assets:				
Cash	89	82,408	62,409	20,088
Liabilities:				
Miscellaneous liabilities	89	82,408	62,409	20,088

Scotland County, North Carolina
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Concealed Weapons Fees				
Assets:				
Cash	705	26,775	25,855	1,625
Liabilities:				
Miscellaneous liabilities	705	26,775	25,855	1,625
Register of Deeds				
Assets:				
Cash	4,835	106,730	97,552	14,013
Liabilities:				
Miscellaneous liabilities	4,835	106,730	97,552	14,013
Library				
Assets:				
Cash	16,527	2,596	-	19,123
Liabilities:				
Miscellaneous liabilities	16,527	2,596	-	19,123
Certified Retirement Community				
Assets:				
Cash	3,571	1,500	1,530	3,541
Liabilities:				
Miscellaneous Liabilities	3,571	1,500	1,530	3,541
Cooperative Extensions				
Assets:				
Cash	-	7,264	-	7,264
Liabilities:				
Miscellaneous Liabilities	-	7,264	-	7,264
Total-All Agency Funds				
Assets:				
Cash	364,457	2,142,138	2,066,843	439,752
Liabilities:				
Miscellaneous liabilities	364,457	2,000,244	1,925,853	438,848
Intergovernmental payable	-	141,895	140,989	906
Total liabilities	364,457	2,142,138	2,066,843	439,752

OTHER SCHEDULES

Scotland County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$22,339,919	\$21,494,960	\$ 844,959
2017-2018	859,196	-	483,087	376,109
2016-2017	400,813	-	157,467	243,346
2015-2016	236,046	-	72,641	163,405
2014-2015	176,576	-	35,307	141,269
2013-2014	179,328	-	24,816	154,512
2012-2013	183,310	-	24,271	159,039
2011-2012	152,399	-	15,612	136,787
2010-2011	151,869	-	14,106	137,763
2009-2010	142,238	-	11,754	130,484
2008-2009	139,336	-	86,727	52,609
Total	<u>2,621,111</u>	<u>22,339,919</u>	<u>22,420,748</u>	2,540,282
				<u>Less allowance for uncollectible accounts</u>
				127,014
				Ad valorem taxes receivable - net
				\$ 2,413,268
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - net:				
General Fund				\$22,465,082
Reconciling items:				
Interest				\$ (263,246)
Discounts				98,472
Taxes released				<u>120,439</u>
Total reconciling items				<u>\$ (44,335)</u>
Total collections and credits				<u>\$22,420,747</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2019

	County-wide Property Valuation	Rate	Amount of Levy	Total Levy Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy	\$ 2,249,220,200	\$ 1.00	\$ 22,492,202	\$ 20,027,817	\$ 2,464,384
Total	2,249,220,200		22,492,202	20,027,817	2,464,384
Releases	(15,228,300)		(152,283)	(126,512)	(25,771)
Total property valuations	<u>\$ 2,233,991,900</u>				
Net levy			22,339,919	19,901,305	2,438,613
Uncollected taxes at June 30, 2019			<u>844,959</u>	<u>836,274</u>	<u>8,685</u>
Current year's taxes collected			<u>\$ 21,494,960</u>	<u>\$ 19,065,031</u>	<u>\$ 2,429,928</u>
Current year collection percentage			<u>96.22%</u>	<u>95.80%</u>	<u>99.64%</u>

Scotland County, North Carolina
 Analysis of Current Tax Levy
 County-wide Levy
 For the Fiscal Year Ended June 30, 2019

Secondary market disclosures:

Assessed valuation:

Assessment ratio ¹	100%
Real property	\$ 1,482,261,770
Personal property	636,409,411
Public service companies ²	<u>115,320,719</u>
Total assessed valuation	2,233,991,900
 Tax rate per \$100	 \$ 1.00
Levy (includes discoveries, releases and abatements) ³	\$ 22,339,919

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>654,346</u>
Total	<u><u>\$ 654,346</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, 2019

<u>Taxpayer</u>	<u>Type of Business</u>	2017 <u>Assessed Valuation</u>	Percentage of Total <u>Assessed Valuation</u>
FCC (North Carolina) LLC	Manufacturing	\$ 102,279,615	4.58%
Pilkington America	Manufacturing	\$ 71,488,453	3.20%
Duke Energy Progress, Inc.	Utility	\$ 60,769,450	2.72%
Piedmont Natural Gas Co, Inc.	Utility	\$ 49,054,029	2.20%
Cascades Holding US, Inc.	Manufacturing	\$ 37,815,326	1.69%
Meritor Heavy Vehicle	Manufacturing	\$ 30,219,676	1.35%
Lumbee River EMC	Utility	\$ 24,971,250	1.12%
Kordsa, Inc.	Manufacturing	\$ 24,668,751	1.10%
CSX Transportation	Railroad	\$ 21,840,984	0.98%
Carroll's Realty	Farming	\$ 19,805,406	0.89%
Total		<u>\$ 442,912,940</u>	<u>19.83%</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, 2019, 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 February 14, 2020.

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.

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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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. *See finding 2019-001.*

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

February 14, 2020



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, 2019. 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.

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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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

February 14, 2020



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, 2019. Scotland County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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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, 2019.

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 2019-002. Our opinion on each major state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Roché, Head & Associates, PLLC

ROCHE, HEAD & ASSOCIATES, PLLC
Laurinburg, North Carolina

February 14, 2020

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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 yes X none reported

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

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

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Identification of major federal programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program (Medicaid)
97.036	Disaster Grant-FEMA
14.228	Small Cities Community Development Block Grant

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

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

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

Identification of major State programs:

<u>Program Name</u>
Medical Assistance Program (Medicaid)
Disaster Grant-FEMA
N.C. Dept. of Public Safety: JCPC Admin. Scots for Youth Youth Empowerment to Succeed (YES)
N.C. Dept. of Cultural and Natural Resources: State Aid to Public Libraries
N.C. Dept. of Public Instruction: Public School Building Capital Fund - Lottery Proceeds

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Section II - Financial Statement Findings

Finding: 2019-001

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.

Cause: Staff were reassigned to other duties during audit preparation, therefore, delaying the issuance of the financial statement information and trial balance.

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.

SCOTLAND COUNTY, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

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: 2019-002

Significant Deficiency

Eligibility

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

Condition: One applicant received assistance who did not qualify.

Context: Out of a population of 9,407 case files, 101 Medicaid case files were audited for eligibility requirements and one received excess benefits. The known excess amounts paid were \$256.81 and did not rise to the level of questioned costs.

Effect: One applicant case file out of 101 case files audited received excess benefits.

Identification of repeat finding: This is a repeat finding from the immediate previous two audits. See Findings 2018-006 and 2017-003. However, this finding was not a result of control failures by Scotland County.

Cause: Improper transfer of case file from another county.

Recommendation: Client should continue reviewing transfer cases for errors.

Views of responsible officials and planned corrective actions:

The case cited was a transfer case from another county. The case was not transferred according to NC FAST policy or Department of Health Benefits policy by the transferring county. As proper procedures were not followed for transfer and no review completed as required prior to transfer, Scotland County had no notification of action to take. Once notification was received in June 2019, Scotland County responded appropriately to review the case and terminate Medicaid. Any costs incurred through Medicaid are the responsibility of the transferring county. If following policy, no Medicaid costs would have occurred.

Section IV - State Award Findings and Questioned Costs

US Department of Health and Human Services

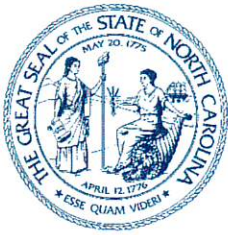
Passed through the NC Dept. of Health and Human Services:

Division of Social Services

Program Name: Medical Assistance Program (Medicaid)

CFDA# 93.778

Finding: See Federal Finding 2019-002.



County of Scotland

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Kevin Patterson
County Manager

Jason Robinson
Deputy Clerk to the Board

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

SCOTLAND COUNTY CORRECTIVE ACTION PLAN For the Year Ended June 30, 2019

Section II - Financial Statement Findings

Finding: 2019-001

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.

Section III - Federal Award Findings and Questioned Costs

Finding: 2019-002

Name of contact person: Carolyn Lewellen and April Snead

Corrective Action: Finding is related to an improperly transferred case and is out of Scotland County's control. Scotland County will continue to run and respond to reports each month. Scotland County will also report to transferring counties of cases found not to be transferred properly.

Proposed Completion Date: Immediately.

Section IV - State Award Findings and Questioned Costs

Finding: 2019-002

See Federal Award Findings and Questioned Costs, Finding 2019-002.

SCOTLAND COUNTY
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2019

Finding 2018-001

Status: Corrected.

Finding 2018-002

Status: See Finding 2019-001. Improvements were made from prior year, however, the trial balance and financial information was still considered late.

Finding 2018-003

Status: See Finding 2019-001. Improvements were made from prior year with less journal entries and reconciliations needed.

Finding 2018-004

Status: Corrected.

Finding 2018-005

Status: Corrected.

Finding 2018-006

Status: See finding 2019-002.

Finding 2018-007

Status: Corrected.

SCOTLAND COUNTY, NORTH SCOTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
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	556,188	32,175	-	524,013
Supplemental Nutrition Assistance Program - Fraud	10.561	5NC400406	21,682	-	-	21,682
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	322,573	-	-	-
Total U.S. Department of Agriculture			900,443	32,175	-	545,695
<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	19,361	1,210	-	-
Formula Grants for Other than Urbanized Areas	20.509	2000000797	66,502	4,156	-	-
Total U.S. Dept. of Transportation			85,863	5,366	-	-
<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	469,868	156,623	-	-
			469,868	156,623	-	-
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Dept. of Public Safety:						
Division of Emergency Management:						
Emergency Management Performance Grant	97.042	EMPG-2016-37165	20,625	-	-	-
			20,625	-	-	-
Total U. S. Department of Homeland Security			490,493	156,623	-	-
<u>U.S. Dept. of Health & Human Services</u>						
Division of Social Services:						
Family Preservation	93.556	15113A15151	5,015	-	-	-
Temporary Assistance for Needy Families (TANF) Cluster						
TANF - Work First - Admin	93.558	G1202NCTANF	22,018	-	-	186,781
TANF - Work First	93.558	G1202NCTANF	427,583	-	-	-
Division of Public Health:						
TANF - Work First	93.558	G1202NCTANF	8,358	-	-	-
Total TANF Cluster			457,959	-	-	186,781
IV-D Administration	93.563	1204NC4005	602,910	-	-	310,590
IV-D Offset Fees	93.563	1204NC4006	4,570	-	-	2,354
<u>N.C. Dept. of Insurance</u>						
SHIP Grant	93.324	90SAPG0027-01-01	2,841	-	-	-
MIPPA Grant	93.071	1801NCMISH-00	1,761	-	-	-

SCOTLAND COUNTY, NORTH SCOTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>Foster Care and Adoption Cluster (Note 4)</u>						
Foster Care - Title IV-E	93.658	1201NC1401	84,755	29,120	-	56,655
Foster Care Training - Title IV-E	93.658	1201NC1401	198,433	-	-	198,421
IV-E Max Level III	93.658	1201NC1401	13,282	-	-	6,476
IV-E Administration	93.658	1201NC1401	2,355	1,177	-	1,177
IV-E Family Foster Max	93.658	1201NC1401	2,924	-	-	1,426
IV-E FC & Extend Max	93.658	1201NC1401	6,553	1,576	-	1,576
IV-E FC & Extend Reg	93.658	1201NC1401	131,554	34,233	-	29,863
Adoption Assistance	93.659	1201NC1407	1,074	-	-	1,073
Total Foster Care and Adoption Cluster (Note 4)			440,929	66,106	-	296,668
Refugee and Entrant Assistance - State Administered Program	93.566	G12AANC4110	1,430	-	-	-
Total Refugee and Entrant Assistance			1,430	-	-	-
Low-Income Home Energy Assistance: Administration	93.568	G12BNCLIEA	(23,047)	-	-	-
Energy Assistance Payments	93.568	G12BNCLIEA	304,353	-	-	-
Crisis Intervention Program	93.568	G12BNCLIEA	110,094	-	-	-
Total Low-Income Home Energy Assistance			391,401	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program: - Permanency Planning - Families for Kids	93.645	G1201NC1400	10,368	-	-	3,456
Total Stephanie Tubbs Jones Child Welfare Services			10,368	-	-	3,456
LINKS - Transitional Funds	93.674	G120NC1420	3,050	763	-	-
Division of Aging and Adult Services: Division of Social Services: SSBG - Other Service and Training	93.667	G120NCS0SR	189,721	-	-	63,240
SSBG - State In Home Service Fund	93.667	G120NCS0SR	(156)	-	-	(22)
SSBG - State In Home Services Over 60	93.667	G120NCS0SR	7,723	-	-	1,103
SSBG - State Adult Day Care	93.667	G120NCS0SR	14,330	23,808	-	5,448
Total Social Service Block Grant			211,619	23,808	-	69,770
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-	93.596	47013123	53,847	-	-	-
Total Subsidized Child Care (Note 4)			53,847	-	-	-
Passed-through the N.C. Dept. of Health & Human Serv.:						
Division of Medical Assistance:						
Division of Social Services: Administration:						
Medical Assistance Program	93.778	5-1205NC5MAP	1,229,581	1,455	-	461,385
Total Medical Assistance Program			1,229,581	1,455	-	461,385
Division of Social Services: Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767	1715376H1	28,180	-	-	-
Total State Children's Insurance Program - N.C.			28,180	-	-	-
U.S. Department of Housing and Urban Development:						
Passed-through the N.C. Dept. of Commerce:						
Small Cities Community Development Block Grant	14.228	16-E-2900	910,928	-	-	-
Total N.C. Dept. of Commerce			910,928	-	-	-

SCOTLAND COUNTY, NORTH SCOTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)	93.074	1264-2680EU	27,306	-	-	-
Project Grants and Cooperative Agreements for Control Programs	93.116	5U52PS416676	50	-	-	-
Family Planning Services	93.217	FPH040648-02-00	28,331	-	-	-
Immunization Grants	93.268	NH23IP000759-06-00	15,238	-	-	-
Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)	93.758	3B01DP009034-13W2	39,946	-	-	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	1H25PS004349	42	-	-	-
Maternal and Child Health Services Block Grant	93.994	B04MC26685	79,968	35,118	-	-
Total U.S. Dept. of Health and Human Services			4,547,269	127,249	-	1,331,004
Total Federal Awards			6,024,068	321,413	-	1,876,699
State Awards:						
N.C. Dept. of Administration						
Veterans Service		DMVACNTYGRANTFY19	-	2,216	-	-
Total N.C. Dept. of Administration			-	2,216	-	-
N.C. Dept. of Agriculture and Consumer Services						
Division of Soil and Water Conservation		18-024-4001	-	26,820	-	3,600
Total N.C. Dept. of Agriculture and Consumer Services			-	26,820	-	3,600
N.C. Dept. of Cultural and Natural Resources						
Division of State Library						
State Aid to Public Libraries		56-6000339-E	-	102,656	-	-
State Aid to Public Libraries		2452	-	35,000	-	-
Total N.C. Dept. of Cultural and Natural Resources			-	137,656	-	-
N.C. Department of Environmental Quality						
Division of Waste Management						
Electronics Management Fund		ELEC019069	-	2,223	-	-
Scrap Tire Program		SWS948	-	1,785	-	-
Total N.C. Dept. of Environmental Quality			-	4,008	-	-
N.C. Dept. of Health and Human Services						
Division of Social Services						
DCD Smart Start		566000339	-	11,883	-	-
Energy Assistance Private Grant		566000339	-	1,678	-	-
Foster Care		566000339	28,204	-	-	-
AFDC Incentive Program		566000339	-	681	-	-
State Foster Care		566000339	-	28,044	-	28,044
SFHF Maximum		566000339	-	4,935	-	4,934
Total Division of Social Services			28,204	47,221	-	32,978
Division of Public Health						
CHA/CHIP Peer Review		11011614110	-	104,491	-	-
General Communicable Disease Control		51011754510	-	7,855	-	-
Family Planning		566000339	-	44,826	-	-
Child Health		B04MC23398	-	5,299	-	-
Women's Health Service Fund		15113A16012	-	4,278	-	-
Food and Lodging		87311534751	-	3,320	-	-
Maternal Health		B04MC23398	-	28,198	-	-
HIV/STD State		53613114536	-	500	-	-
CLAS Standards Advancing Health Equity		47412624181	-	5,539	-	-
Mosquito Abatement (Hurricane Florence)		91111535015	-	70,054	-	-
Integrated Targeted Testing Services (ITTS)		89413114601RR	-	364	-	-
Tuberculosis		55114604551	-	14,552	-	-
Total Division of Public Health			-	289,276	-	-
Total N. C. Department of Health and Human Services			28,204	336,497	-	32,978

SCOTLAND COUNTY, NORTH SCOTLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>N.C. Dept. of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		LEA 830	-	385,000	385,000	-
Total N.C. Dept. of Public Instruction			-	385,000	385,000	-
<u>N.C. Housing Finance Agency</u>						
Essential Single-Family Rehabilitation Loan Pool						
Disaster Recovery		ESFRLPDR09	-	48,500	-	-
Total N.C. Housing Finance Agency			-	48,500	-	-
<u>N.C. Dept. of Public Safety</u>						
JCPC Administration		583-11473	-	11,383	11,383	-
Scots for Youth		583-10939	-	106,773	106,773	-
Youth Empowered to Succeed (YES)		583-12295	-	30,000	30,000	-
Total N.C. Department of Public Safety			-	148,156	148,156	-
<u>N.C. Dept. of Transportation</u>						
Rural Operating Assistance Program (ROAP) Cluster						
- ROAP Elderly and Disabled Transportation Assistance Program		DOT-16CL	-	64,701	-	-
- ROAP Rural General Public Program		DOT-16CL	-	69,085	-	-
- ROAP Work First Transitional - Employment		DOT-16CL	-	8,562	-	-
Total ROAP Cluster			-	142,348	-	-
Paving - Fire Substations		DOT-18	-	25,596	-	-
Total State Awards			28,204	1,256,797	533,156	36,578
Total Federal and State Awards			6,052,272	1,578,210	533,156	1,913,278

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, 2019. 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.

