

DILLON COUNTY, SOUTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2010

**DILLON COUNTY, SOUTH CAROLINA
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Year Ended June 30, 2010**

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INDEPENDENT AUDITORS' REPORT

County Council
Dillon County
Dillon, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina (the County) as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note IV, section J to the financial statements, during the year ended June 30, 2010, management discovered certain errors in the prior year's financial statements. Accordingly, net assets as of June 30, 2009 have been restated.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2011, on our consideration of the 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* and should be considered in assessing the results of our audit.

The Required Supplementary Information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We 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.

The County has not presented a Management's Discussion and Analysis, which is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Columbia, South Carolina
January 21, 2011

Clark Eustace Wagner, CPA, PA

DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,884,885
Investments	5,020,275
Receivables, net of allowance for doubtful accounts	2,854,595
Prepays	175,159
Inventories	38,886
Capital assets not being depreciated	
Land	1,353,999
Construction in progress	590,423
Capital assets, net of accumulated depreciation	
Buildings and improvements	11,733,276
Heavy equipment and vehicles	2,307,818
Equipment and furnishings	730,212
Infrastructure	5,377,146
Total assets	37,066,674
LIABILITIES	
Accounts payable	475,100
Accrued salaries and payroll withholdings	532,381
Due to others	74,031
Accrued interest	21,104
Unearned revenue	206,600
Obligation for other post-employment benefits	335,825
Noncurrent liabilities:	
Due within one year	1,769,959
Due in more than one year	4,603,501
Total Liabilities	8,018,501
Net Assets	
Invested in capital assets, net of related debt	18,157,876
Restricted for :	
Property tax reduction	344,137
Debt Service	1,265,330
Capital projects	2,306,842
Other	846,855
Unrestricted	6,127,133
Total net assets	\$ 29,048,173

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net Expense (Revenue) and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Government activities:					
General government administration	\$ 3,094,904	\$ 272,355	\$ 44,884	\$ -	\$ 2,777,665
Administration of justice	1,085,347	832,179	132,728	-	120,440
Public safety and law enforcement	8,352,607	2,496,991	438,796	118,720	5,298,100
Public works	1,613,225	971,428	234,500	-	407,297
Sanitation	1,723,997	2,010,516	25,765	-	(312,284)
Economic development	814,279	-	727,872	97,150	(10,743)
Social services, health and welfare	423,513	12,837	146,677	-	263,999
Culture and recreation and education	689,666	33,875	94,299	-	561,492
Interest on long-term debt	177,451	-	-	-	177,451
Total governmental activities	17,974,989	6,630,181	1,845,521	215,870	9,283,417
General revenues					
Property taxes					7,572,265
Sales taxes					2,149,815
Grants and contributions not restricted to specific programs					1,525,671
Unrestricted interest income					49,067
Other					39,407
Total general revenues and transfers					11,336,225
Change in net assets					2,052,808
Net assets - beginning of year, as restated					26,995,365
Net assets - end of year					\$ 29,048,173

The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	Capital Projects Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,559,456	\$ 325,429	\$ -	\$ -	\$ 6,884,885
Investments	5,020,275	-	-	-	5,020,275
Receivables, net of allowance for doubtful accounts	2,651,191	-	78,914	124,490	2,854,595
Due from other funds	-	1,981,782	1,241,324	722,887	3,945,993
Inventories	38,886	-	-	-	38,886
Prepays	175,159	-	-	-	175,159
Total assets	<u>\$ 14,444,967</u>	<u>\$ 2,307,211</u>	<u>\$ 1,320,238</u>	<u>\$ 847,377</u>	<u>\$ 18,919,793</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 474,209	\$ 369	\$ -	\$ 522	\$ 475,100
Accrued salaries and payroll withholdings	532,381	-	-	-	532,381
Unearned revenue	206,600	-	-	-	206,600
Deferred revenue	305,050	-	54,908	-	359,958
Due to other funds	4,020,024	-	-	-	4,020,024
	<u>5,538,264</u>	<u>369</u>	<u>54,908</u>	<u>522</u>	<u>5,594,063</u>
Fund Balances:					
Reserved for:					
Property tax reduction	344,137	-	-	-	344,137
Prepays	175,159	-	-	-	175,159
Inventories	38,886	-	-	-	38,886
Unreserved, undesignated, reported in:					
General fund	8,348,521	-	-	-	8,348,521
Special revenue funds	-	-	-	846,855	846,855
Debt service	-	-	1,265,330	-	1,265,330
Capital projects fund	-	2,306,842	-	-	2,306,842
Total fund balances	<u>8,906,703</u>	<u>2,306,842</u>	<u>1,265,330</u>	<u>846,855</u>	<u>13,325,730</u>
Total liabilities and fund balances	<u>\$ 14,444,967</u>	<u>\$ 2,307,211</u>	<u>\$ 1,320,238</u>	<u>\$ 847,377</u>	
Amounts reported for government activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					22,092,874
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds					
Property taxes					359,958
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:					
Accrued compensated absences					(441,230)
Other post-employment benefits					(335,825)
Provision for post-closure costs of municipal solid waste landfill					(1,997,232)
Accrued interest					(21,104)
Bonds and leases payable					(3,934,998)
Net assets of governmental activities					<u>\$ 29,048,173</u>

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General Fund	Capital Projects Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
Revenues					
Taxes					
Property and vehicle and fire fees	\$ 7,409,761	\$ -	\$ 1,382,915	\$ -	\$ 8,792,676
Sales	2,149,815	-	-	-	2,149,815
Intergovernmental revenue	2,240,304	-	-	979,106	3,219,410
Licenses and permits	232,474	-	-	-	232,474
Charges for services	4,723,761	-	-	220,502	4,944,263
Fines, fees, and forfeitures	692,119	-	-	16,173	708,292
Interest income	49,067	-	-	-	49,067
Other	349,244	-	-	-	349,244
Total revenues	17,846,545	-	1,382,915	1,215,781	20,445,241
Expenditures					
Current					
General government administration	2,777,649	-	17,197	-	2,794,846
Administration of justice	1,036,851	-	-	20,329	1,057,180
Public safety and law enforcement	6,804,337	-	-	500,838	7,305,175
Public works	916,673	235,726	-	-	1,152,399
Sanitation	1,679,925	-	-	-	1,679,925
Economic development	397,188	-	-	406,611	803,799
Social services, health and welfare	252,545	-	-	166,563	419,108
Culture and recreation and education	599,707	-	-	-	599,707
Debt Service					
Principal retirement	72,591	-	2,019,214	-	2,091,805
Interest	6,600	-	179,827	-	186,427
Capital Outlay					
General government administration	900,800	-	-	-	900,800
Public safety and law enforcement	475,534	443,695	-	169,160	1,088,389
Public works	129,234	599,000	-	-	728,234
Economic Development	97,150	-	-	-	97,150
Total expenditures	16,146,784	1,278,421	2,216,238	1,263,501	20,904,944
Excess (deficiency) of revenues over (under) expenditures	1,699,761	(1,278,421)	(833,323)	(47,720)	(459,703)
OTHER FINANCING SOURCES					
General obligation bonds issued	961,996	-	1,060,000	-	2,021,996
Total other financing sources	961,996	-	1,060,000	-	2,021,996
Net change in fund balances	2,661,757	(1,278,421)	226,677	(47,720)	1,562,293
Fund balances, beginning of year	6,244,946	3,585,263	1,038,653	894,575	11,763,437
Fund balances, end of year	\$ 8,906,703	\$ 2,306,842	\$ 1,265,330	\$ 846,855	\$ 13,325,730

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities (page 4) are different because:	
Net change in fund balances -- total governmental funds (page 6)	\$ 1,562,293
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense in order to allocate capital outlays over the lives of the applicable assets	
Capital asset purchases expensed in governmental funds but capitalized by governmental activities	2,814,573
Depreciation expense reported in governmental activities	(1,965,292)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes and solid waste fees	35,456
Ambulance revenue	(452,900)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Issuance of debt	(2,021,996)
Repayment of long-term debt	2,091,805
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:	
Accrued compensated absences	(2,248)
Provision for post-closure costs of municipal solid waste landfill	137,428
Other post-employment benefits	(155,287)
Accrued interest	8,976
Change in net assets of governmental activities (page 4)	<u>\$ 2,052,808</u>

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

Assets	
Cash and cash equivalents	\$ 10,940,613
Due from other funds	<u>197,727</u>
	<u><u>\$ 11,138,340</u></u>
Liabilities	
Due to Dillon County school districts	\$ 10,159,191
Due to others	855,453
Due to other funds	<u>123,696</u>
	<u><u>\$ 11,138,340</u></u>

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Dillon County, South Carolina, is a political subdivision of the State of South Carolina. The County operates under a Council-Administrator form of government and is governed by an elected seven-member council, one of whom is the chair. The council is the legislative body of the County and is responsible for determining the policies and direction of the County government. The administrator is responsible for the County's daily operations.

As required by accounting principles generally accepted in the United States of America (GAAP), basic financial statements of governmental units include not only information about the reporting, (i.e., primary) government but also about component units. Component units are organizations for which the primary government is financially accountable or organizations which are sufficiently significant to the primary government that their exclusion could cause the financial statements to be misleading or incomplete. Based on the applicable criteria, the County has determined it has no component units and that it is not a component unit of another entity. Therefore, the County reports as a primary entity.

B. Government-wide and Fund Financial Statements

In accordance with reporting standards established by the Government Accounting Standards Board (GASB), Dillon County's financial statements are presented from two perspectives, the government-wide perspective and the fund perspective.

The government-wide financial statements include the statement of net assets and the statement of changes in net assets. These statements report information on all non-fiduciary activities (collection of property taxes for towns and schools are among the County's fiduciary activities) of the primary government and its component units, if any. Net assets are calculated based on information on all the County's assets and liabilities, including property and equipment and long-term debt. For the most part, the effect of any inter-fund activity is removed from these statements.

In these statements, governmental activities, which are normally supported by taxes and intergovernmental revenues, are distinguished from any business type activities in which the government may be engaged and which rely on fees and charges for support. Likewise, the primary government is reported separately from any legally separate component units for which the primary government is financially accountable. These distinctions are not applicable to Dillon County, which has neither component units nor business type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses, including depreciation of property and equipment, are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items which are not properly included among program revenues are reported as general revenues.

The fund financial statements include separate financial statements for governmental and fiduciary funds, groupings of accounts used to control resources that have been segregated for specific activities or objectives. Major individual governmental funds are reported as separate columns in the fund financial statements.

Accompanying the financial statements prepared using the two perspectives is an explanation of the differences between them. The governmental fund balance sheet on page 5 includes a reconciliation of the total fund balance for all governmental funds to total net assets of governmental activities reported in the government-wide statement of net assets. A reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities is included at page 7.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when applicable cash is collected or paid. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The following are the County's major governmental funds:

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

The *capital projects fund* is used to account for the acquisition and construction of major capital facilities and to account for collection and distribution of the proceeds of a temporary local option capital projects sales tax which was enacted in 2003.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation and special source revenue debt of the governmental funds.

Special revenue funds account for specific revenues that are legally restricted to expenditure for particular purposes. Special revenue funds include the Work Force Investment Act fund, the Sheriff's Discretionary fund, the Accommodations Tax fund, the E-911 Subscriber Billing fund, the Clerk of Court Child Support Discretionary fund, the Alcohol and Drug Abuse Prevention fund and the Federal CDBG Grant fund.

The County's policy for applying expenses that can use both restricted and unrestricted resources is to apply the expense to restricted resources then to unrestricted resources.

Fiduciary funds are used to report assets held by the County in a trustee or agency capacity and which, therefore, can't be used to support the County's own programs. *Agency funds*, a subset of fiduciary funds, are used to account for situations where the government's role is merely custodial. Dillon County uses agency funds to account for taxes collected on behalf of other governments and for funds escrowed for their respective programs. Fiduciary funds are not included in the County's government-wide financial statements.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

D. Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The County's investments are made in accordance with State of South Carolina statutes. The County reports its investments at fair value which is normally determined by quoted market prices.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for any that are uncollectible. The property tax receivable allowance is equal to 13.26 percent of outstanding property taxes at June 30, 2010.

Inventories and prepaid items

Inventories are valued at lower of cost or market using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Inventories in the general fund consist of fuel, cleaning supplies and postage. Prepaid items consist of insurance coverage paid for in advance and a long-term service contract on 911 emergency radios.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) and are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as movable personal property with a unit cost in excess of \$5,000 and an estimated useful life in excess of two years and depreciable land improvements, buildings and improvements, and tangible assets costing in excess of \$50,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and land improvements and 5 to 10 years for machinery, equipment, and vehicles. A half year of depreciation is taken the year the asset is placed in service and in the year of disposition.

Inter-fund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate inter-fund receivable and payable accounts as "due to/from" funds.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been met. Grants received before applicable expenditures have been made are recorded as deferred revenue.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Governmental Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by an outside party for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

The County's net assets are classified as follows:

Invested in capital assets: This amount is County's total investment in capital assets, net of any outstanding debt obligations related to those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets.

Restricted net assets: Restricted net assets include resources in which the County is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties such as state laws and lenders.

Unrestricted net assets: Unrestricted net assets represent resources which may be used to meet current expenses for any purpose.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes

Taxes on real property are assessed as of January 1, levied the following September, due January 15, and become delinquent March 15. Liens attach to the property at the time the taxes are levied. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and the debt service fund. Project length budgets are adopted for the capital projects fund. All annual appropriations lapse at fiscal year end.

Each year, the County administrator drafts a budget which is presented to County Council for review and approval. The Council holds public hearings and adopts either the budget or an emergency ordinance for the payment of essential services or supplies no later than June 30. An annual millage rate to fund the budgeted expenditures is established by the County Auditor and approved by County Council as part of the budget process.

The appropriated budget is prepared by fund and department. County department heads may make certain transfers of appropriations within their own departmental budgets without approval of Council, and the County Administrator may make certain transfers within departments without approval of Council. The County Administrator may not make changes between departments without Council approval. The legal level of budgetary control is the department level.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2010, debt service fund expenditures exceeded appropriations by \$833,323. The over-expenditures were funded by revenue which exceeded budgeted amounts and proceeds from a debt refinancing.

C. Fund Deficits

At June 30, 2010, the Accommodations Tax special revenue fund had a deficit of \$9,919 and the Alcohol and Drug Abuse Prevention special revenue fund had a deficit of \$21,782.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

It is the County's policy to follow South Carolina state law applicable to local government deposits and investments. This policy limits investments to:

- (a) Obligations of the United States and agencies thereof;
- (b) General obligations of the State of South Carolina or any of its political units;
- (c) Savings and Loan Associations to the extent that the same are insured by an agency of the Federal Government;
- (d) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (a) and (b) above, held by a third party as escrow agent, or custodian of a market value, not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (f) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), and (e) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

The County's cash investment objectives are preservation of capital, liquidity, and yield. In accordance with its objectives and South Carolina law, the County currently or in the past year has used bank certificates of deposit.

Amounts held by the South Carolina Pooled Investment Fund (the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1. These funds are treated as a cash equivalent in the financial statements.

Cash deposits are subject to custodial credit risk, which, in the case of deposits, is the risk that in the event of a bank failure, the County's deposits may not be returned to it. It is the policy of the County to obtain adequate collateralization on all deposits that exceed FDIC insurance coverage. As of June 30, 2010, the county had cash on hand of \$800 and cash deposits in demand accounts totaling \$17,162,879. Of the deposit amounts, \$501,248 was covered by FDIC insurance, and \$16,661,630 was collateralized by federal agency securities held by a third party agent in the County's name. and certificate of deposit accounts

The County had the following investments at year end:

Investment Type	Fair Value
Bank certificates of deposit	\$ 5,020,275
	\$ 5,020,275

These investments are subject to the following risks:

Interest rate risk. Interest rate risk is the risk that fair value may decline when interest rates decline. Such risk can be mitigated by placing money only in instruments with short-term maturities. The short term certificates of deposit meet this criterion.

Credit risk. Credit risk is the risk that the holder might not be able to liquidate the investment when cash is required. The bank certificates of deposit can be liquidated on demand.

Custodial Credit risk. Credit risk is the risk that investment principal may not be recovered if issuers of the investment securities fail. The State Treasurer's investment pool is not rated, but generally, investments in the State Treasurer's investment pool are collateralized by debt securities in corporate obligations, state or political subdivision obligations of investment grade or higher quality and in federal agency securities. Under terms of the same agreements applicable to the County's cash deposits, the bank certificates of deposit are collateralized by federal agency securities held by a third party agent in the County's name.

Concentration of Credit Risk. Investments which are concentrated in only a few securities or industries are subject to concentration of credit risk. However, investments issued or explicitly guaranteed by the U.S government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. The Pool is such an investment, and the certificates of deposit are collateralized by federal agency securities held by a third party agent in the County's name.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

B. Receivables, Deferred Revenue and Unearned Revenue

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Special Revenue Fund	Total Governmental Funds
Taxes					
Property	\$ 300,871	\$ -	\$ 90,415	\$ -	\$ 391,286
Fees	190,515	-	-	-	190,515
Sales	827,420	-	-	-	827,420
Accounts	3,000,270	-	-	-	3,000,270
Intergovernmental	833,365	-	-	124,490	957,855
Gross receivables	5,152,441	-	90,415	124,490	5,367,346
Less, allowance for uncollectibles	(2,501,250)	-	(11,501)	-	(2,512,751)
Net total receivables	<u>\$ 2,651,191</u>	<u>\$ -</u>	<u>\$ 78,914</u>	<u>\$ 124,490</u>	<u>\$ 2,854,595</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of *deferred revenue* and *unearned revenue reported* in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes and fees receivable (general and debt service fund)	\$ 359,958	\$ -
Unearned grant revenue (general fund)	-	206,600
	<u>\$ 359,958</u>	<u>\$ 206,600</u>

C. Capital Assets

Capital asset activity for the County for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 2,155,722	\$ 572,929	\$ 2,138,228	\$ 590,423
Land	657,849	696,150	-	1,353,999
Total capital assets not being depreciated	<u>2,813,571</u>	<u>1,269,079</u>	<u>2,138,228</u>	<u>1,944,422</u>
Capital assets being depreciated:				
Buildings and improvements	26,341,206	1,079,365	-	27,420,571
Heavy equipment and vehicles	8,275,028	281,635	-	8,556,663
Equipment and furnishings	4,095,121	493,074	-	4,588,195
Infrastructure	5,655,154	1,829,648	-	7,484,802
Total capital assets being depreciated	<u>44,366,509</u>	<u>3,683,722</u>	<u>-</u>	<u>48,050,231</u>
Less accumulated depreciation for:				
Buildings and improvements	15,024,798	662,499	-	15,687,297
Heavy equipment and vehicles	5,545,364	704,416	-	6,249,780
Equipment and furnishings	3,610,064	246,983	-	3,857,047
Infrastructure	1,756,261	351,394	-	2,107,655
Total accumulated depreciation	<u>25,936,487</u>	<u>1,965,292</u>	<u>-</u>	<u>27,901,779</u>
Total capital assets being depreciated, net	<u>18,430,022</u>	<u>1,718,430</u>	<u>-</u>	<u>20,148,452</u>
Governmental activities capital assets, net	<u>\$ 21,243,593</u>	<u>\$ 2,987,509</u>	<u>\$ 2,138,228</u>	<u>\$ 22,092,874</u>

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Depreciation expense was charged to the County's governmental functions/programs as follows:

General government administration	\$	294,403
Administration of justice		12,240
Public safety and law enforcement		947,878
Public works		446,934
Sanitation		175,582
Economic development		886
Social services, health and welfare		2,883
Culture and recreation		84,486
Total depreciation expense - governmental activities	\$	1,965,292

D. Inter-fund Receivables, Payables, and Transfers

Inter-fund balances arise because the County Treasurer utilizes a cash pool to maximize earnings. Inter-fund balances at June 30, 2010 were:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$1,241,324
Special Revenue Fund	General Fund	800,675
Capital Projects Fund	General Fund	1,981,782
Fiduciary Fund	General Fund	197,727
General Fund	Special Revenue Fund	77,788
General Fund	Fiduciary Fund	123,696
		\$4,422,992

E. Leases

Operating Leases

The County leases real property under terms of non-cancelable operating leases with terms in excess of one year. Total payments under terms of these leases during 2010 were \$5,545. Future minimum lease payments under terms of these leases are as follows:

Year Ending June 30,	Amount
2011	\$ 3,625
2012	3,625
2013	3,625
Total	\$ 10,875

Capital Leases

The County has entered into lease agreements to finance acquisition of buildings, vehicles and heavy equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. Assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Buildings and improvements	\$ 3,759,324
Heavy equipment	656,699
Less: accumulated depreciation	(1,790,478)
Total - net of accumulated depreciation	\$ 2,625,545

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were:

Year Ending June 30,	Governmental Activities
2011	\$ 385,362
2012	204,457
Total minimum lease payments	589,819
Less: amount representing interest	(63,610)
Present value of minimum lease payments	\$ 526,209

F. Long-term Debt

General Obligation Bonds Payable. The County has issued general obligation bonds to provide for construction and purchase of capital assets. General obligation bonds have been issued only for general government activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding as of June 30, 2010 are as follows:

General obligation bond, Series 2002A, payable an annual installment of \$67,489, including interest at 3.83%	\$ 65,000
General obligation bond, Series 2005A, payable in annual installments varying from \$72,503 to \$75,124, including interest at 3.95%	205,000
General obligation bond, Series 2005B, payable in annual installments varying from \$166,320 to \$168,367, including interest at 3.66%	465,000
General obligation bond, Series 2008, payable in annual installments varying from \$186,232,180 to \$190,772, including interest at 3.12%	695,000
General obligation bond, Series 2009, payable in annual installments varying from \$64,874 to \$73,886, including interest at 2.68%	555,000
General obligation bond, Series 2009, payable in annual installments varying from \$151,186 to \$169,066, including interest at 4.25%	954,375
	\$ 2,939,375

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 605,625	\$ 105,478	\$ 711,103
2012	570,625	83,495	654,120
2013	585,625	62,907	648,532
2014	380,625	41,752	422,377
2015	205,625	28,608	234,233
2016-2019	591,250	39,162	630,412
Total	\$ 2,939,375	\$ 361,402	\$ 3,300,777

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Special Revenue Bonds Payable. The County has issued special source revenue bonds to finance construction of infrastructure in an industrial park and at a commercial site. Under terms of these bonds, the government has pledged income from fees in lieu of taxes derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2010 are as follows:

Special source revenue bond, Series 2005, payable in one annual installment of \$80,331 including interest at 3.71%, from net fee payments in lieu of taxes derived from Multi-County Industrial Park in excess of amounts not otherwise pledged to secure general obligation debt	\$ 76,423
Special source revenue bond, Series 2007, payable in annual installments varying from \$78,803 to \$93,460, including interest at 3.74%, from net fee payments in lieu of taxes derived from Multi-County Industrial Park in excess of amounts not otherwise pledged to secure general obligation debt	392,000
	\$ 468,423

Annual debt service requirements to maturity for the outstanding special source revenue bond are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 155,423	\$ 18,368	\$ 173,791
2012	79,000	11,546	90,546
2013	79,000	7,632	86,632
2014	79,000	5,718	84,718
2015	76,000	2,803	78,803
Total	\$ 468,423	\$ 46,067	\$ 514,490

Closure and Post Closure Costs of Municipal Solid Waste Landfill

State and federal laws and regulations require the County to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. In accordance with state law, the County closed its municipal solid waste landfill in fiscal 1996. The County closed its industrial waste landfill in fiscal 2009. The County continues to operate its C&D landfill which it estimates is at 50% of capacity.

Although closure and post closure care costs are paid only near or after the date that landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,997,232 reported as the accrual for landfill closure and post-closure at June 30, 2010 is calculated as follows:

Landfill Site	Percentage of Capacity Used	Estimated Costs Recognized			Balance To Be Recognized
		Closure	Post closure	Total	
Municipal Solid Waste	Closed	\$ -	\$ 975,000	\$ 975,000	\$ -
Industrial Waste	Closed	334,232	342,200	676,432	-
C&D	50	165,300	180,500	345,800	345,800
Totals		\$ 499,532	\$ 1,497,700	\$ 1,997,232	\$ 345,800

These amounts are based on what it would cost to perform all closure and post-closure care in fiscal year 2010 and are based on engineering estimates subject to change due to inflation, deflation, technology and/or applicable laws and regulations. The County anticipates that available resources will be the primary source of funds to pay the cost of closure and post-closure care. During fiscal 2010, the County expended \$137,428 in landfill closure and post-closure costs.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Changes in long-term liabilities. Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,508,004	\$ 2,021,996	\$ 1,590,625	\$ 2,939,375	\$ 605,625
Special source revenue bonds	622,991	-	153,577	469,414	155,423
Capital leases	873,812	-	347,603	526,209	332,879
Compensated absences	438,983	276,902	274,655	441,230	265,000
Provision for post closure costs of municipal solid waste landfill	2,134,660	-	137,428	1,997,232	411,032
Governmental activity long-term liabilities	<u>\$ 6,578,450</u>	<u>\$ 2,298,898</u>	<u>\$ 2,503,888</u>	<u>\$ 6,373,460</u>	<u>\$ 1,769,959</u>

IV. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and job related illnesses and accidents. The County pays premiums to a public entity risk pool for workman's compensation insurance and for property and casualty coverage. The public entity risk pool promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

The County is also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees, retirees, and their dependents. The County has enrolled substantially all its employees in the State's health insurance plans administered by the South Carolina Budget and Control Board.

B. Pension Plan

County employees participate in either the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS), depending on their particular duties. Both plans are administered by the South Carolina Retirement System and are classified as cost-sharing multiple-employer, Public Employee Retirement Systems (PERS). SCRS and PORS provide retirement and disability benefits, cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions for SCRS are established pursuant to Section 9-1-20 of the 1976 South Carolina Code of Laws. Benefit provisions for PORS are established pursuant to Section 9-11-20 of the Code. The South Carolina Retirement System issues a publicly available stand-alone report, which may be obtained by writing to South Carolina Retirement System, P.O. Box 11960, Columbia, South Carolina 29211 or by calling 803-737-6800.

SCRS and PORS members are required to contribute 6.5% of their annual covered salaries, and the County is required to contribute at an actuarially determined rate. The current actuarially determined rates are 9.24% for the SCRS and 10.65% for the PORS. The contribution requirements of the plan members and the County are established and may be amended by the South Carolina General Assembly. The County also contributes .15% to the SCRS for group life benefits and .20% to the PORS for group life and .20% for accidental death benefits.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

The County's contributions (which equaled required contributions) to the SCRS and the PORS for the last three fiscal years were as follows:

	<u>SCRS</u>	<u>PORS</u>
2010	\$ 424,829	\$ 261,096
2009	417,656	260,534
2008	410,861	254,973

C. Deferred Compensation Plans

Certain County employees participate in one of two optional deferred compensation plans which are available to them in conjunction with the State Retirement System. The multiple-employer plans, created under Internal Revenue Code Sections 457 and 401(k) are administered for the State Retirement System by third parties. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate their employment with the County. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

D. Other Post Employment Benefits

Plan Description

In fiscal 1994, Dillon County Council passed an ordinance to provide post-retirement health benefits for retirees who meet a length of service requirement. Employees with 28 consecutive years of service covered by the South Carolina Retirement System, employees with 25 years of consecutive service covered by the Police Officers Retirement System, and County Council members with 12 years of service are eligible to be covered under this plan. Benefits are effective at date of retirement or when the employee is eligible for retirement benefits. Among other provisions, qualifying employees are eligible to receive continuing health insurance coverage with the County paying the employer portion applicable to their pre-retirement health plan. The balance is paid by the retired employee. The County's regular insurance providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. There is no stand-alone financial report for the plan.

Funding Policy

The plan was established and may be amended by County Council. The County currently finances the plan on a pay-as-you-go basis. During fiscal 2010, the County paid \$34,278 (approximately 41% of the total premiums) to cover current premiums for plan participants. Plan members receiving benefits contributed \$48,603, or approximately 59% of the total premiums, through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

In the County's statement of activities, the annual cost (expense) for other post employment benefits (OPEB) is calculated based on the annual required contribution (ARC) of the employer, which is actuarially determined based on the requirements and parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The ARC represents the amount of funding required that, if paid on an annual basis, is projected to cover the normal cost for each year plus the amount necessary to amortize any unfunded liability over a period not exceeding 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and any changes in the County's obligation under the plan:

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Annual required contribution (ARC) for current year:	\$	180,538
Interest on unfunded OPEB obligation		9,027
Annual OPEB cost (expense)		189,565
Less, actual contribution		(34,278)
Increase in net OPEB obligation		155,287
Net liability for OPEB, beginning of year		180,538
Net liability for OPEB, end of year	\$	335,825

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and for 2009 (the first year of implementation of GASB Statement 45) were as follows:

Fiscal Year	Annual	Percentage of Annual	Net OPEB
Ended June 30,	OPEB Cost	OPEB Cost Contributed	Obligation
2009	\$ 180,538	0%	\$ 180,538
2010	\$ 189,565	18%	\$ 335,825

Funded Status and Funding Progress

The funded status of the plan as of the year end was as follows:

Actuarial accrued liabilities (AAL):	\$	1,780,268
Actuarial value of plan assets:		-
Unfunded AAL (UAAL):		\$ 1,780,268
Funded ratio:		0%
Covered payroll:	\$	6,883,843
UAAL as a percentage of covered payroll:		26%

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (i.e., the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The Projected Unit Credit Cost Method actuarial cost method was used to calculate the ARC, based on an assumed level percent of payroll funding and an assumed 4.5 percent rate of return on investments for the current year. The assumed general inflation rate was 3 percent. The assumed annual payroll growth was 3 percent. The assumed rate of annual increase in health costs varied from 5 to 8 percent. The actuarial methods and assumptions and calculations reflect a long-term perspective and are designed to reduce short-term volatility in actuarial accrued liabilities and in the actuarial value of assets

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

E. Joint Venture

Dillon County is a participant in a joint venture with Marion and Marlboro Counties to develop an industrial park located in Dillon County. The three counties committed to contribute \$250,000 each to provide infrastructure to the park, a commitment Dillon County met in fiscal 2007. Additional funding for the park is coming from state grants and loans. Once the park is operating, the three counties will split equally all new tax revenues and expenses from the park for 20 years

F. Related Party Transactions

The County provides office space to several state agencies and the Dillon County Chamber of Commerce, all at no charge. The County provides office space to the City of Dillon in the City-County Complex building. In exchange for use of the space, the City pays one-third of the operating expenses of the building which totaled \$22,022 for fiscal 2010. Also during the year, the county paid \$35,756 for services provided by a business owned by a family member of a county council member.

G. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute liabilities of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

H. New Accounting Pronouncement

As of July 1, 2010, the County will implement Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which revises fund definitions and establishes new fund balance classifications based on the extent to which a government is bound to honor constraints imposed on the use of resources reported in governmental funds.

I. Subsequent Event

Management has evaluated subsequent events through January 21, 2011, the date the financial statements were available to be issued.

J. Restatement Adjustments

During the year, management determined that the liability being recorded for accrued compensated absences in prior years did not include the related payroll taxes and fringe benefits. The unrecorded amount on the liability at June 30, 2009 was \$63,912. Accordingly, beginning entity-wide net assets were restated as follows:

Net assets, beginning of year, as originally stated	\$ 27,059,277
Reflect payroll taxes and fringe benefits on compensated absences	<u>(63,912)</u>
Net assets, beginning of year, as restated	<u>\$ 26,995,365</u>

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL -- GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Property taxes and vehicle fees	\$ 6,050,545	\$ 6,050,545	\$ 7,409,761	\$ 1,359,216
Sales taxes	1,705,000	1,705,000	2,149,815	444,815
Intergovernmental revenue	2,801,558	2,801,558	2,240,304	(561,254)
Licenses and permits	228,200	228,200	232,474	4,274
Charges for services	5,330,413	5,330,413	4,723,761	(606,652)
Fines, fees, and forfeitures	532,000	532,000	692,119	160,119
Interest income	40,000	40,000	49,067	9,067
Other	100,000	100,000	349,244	249,244
Total revenues	16,787,716	16,787,716	17,846,545	1,058,829
EXPENDITURES				
General government administration:				
Assessor	325,405	325,405	304,577	(20,828)
Audit	44,000	44,000	30,550	(13,450)
Auditor	94,525	94,525	92,971	(1,554)
City County building	40,000	40,000	72,629	32,629
Code enforcement/building inspecton	130,423	130,423	125,644	(4,779)
Computer services	274,800	274,800	221,055	(53,745)
County attorney	51,500	51,500	40,644	(10,856)
County council	674,400	674,400	669,799	(4,601)
Delegation contingencies	6,600	6,600	3,216	(3,384)
Election/Registration	90,600	90,600	85,118	(5,482)
Insurance	668,381	668,381	274,552	(393,829)
Public building maintenance	382,210	382,210	364,536	(17,674)
Purchasing	67,500	67,500	72,601	5,101
Registration Board	50,250	50,250	35,900	(14,350)
Retirees health insurance	40,000	40,000	34,278	(5,722)
Treasurer	373,950	373,950	326,227	(47,723)
Miscellaneous	130,422	130,422	23,352	(107,070)
	3,444,966	3,444,966	2,777,649	(667,317)
Administration of Justice:				
Clerk of court	482,240	482,240	439,737	(42,503)
Judge expenses	5,500	5,500	2,786	(2,714)
Jurors	37,000	37,000	33,198	(3,802)
Law Library	20,000	20,000	21,507	1,507
Magistrates	358,250	358,250	331,672	(26,578)
Probate judge	161,400	161,400	153,810	(7,590)
Public Defender	54,000	54,000	54,141	141
	1,118,390	1,118,390	1,036,851	(81,539)

continued

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGET AND ACTUAL -- GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Public Safety and Law Enforcement:				
911 Project - Subscriber Billing	606,700	606,700	510,027	(96,673)
Ambulance service	923,617	923,617	966,741	43,124
Animal/litter control	128,300	128,300	90,177	(38,123)
Coroner	93,600	93,600	95,423	1,823
Detention Center	2,562,000	2,562,000	2,324,651	(237,349)
Disaster preparedness	81,500	81,500	68,543	(12,957)
Fire Department - #5	91,200	91,200	95,524	4,324
Fire Department - Latta	110,650	110,650	73,492	(37,158)
Fire Department - Dillon	206,700	206,700	178,143	(28,557)
Fire Department - Gaddy's	147,650	147,650	172,611	24,961
Fire Department - Lake View	92,400	92,400	102,162	9,762
Fire Department - Oak Grove	68,025	68,025	73,346	5,321
Rescue squad	45,000	45,000	39,416	(5,584)
Rural fire	25,000	25,000	21,000	(4,000)
Sheriff	1,969,800	1,969,800	1,798,575	(171,225)
Victims assistance	138,400	138,400	168,798	30,398
Miscellaneous	-	-	25,708	25,708
	7,290,542	7,290,542	6,804,337	(486,205)
Public Works:				
Airport maintenance	8,500	8,500	8,456	(44)
Regional airport authority	19,600	19,600	9,300	(10,300)
Roads and bridges	832,700	832,700	784,726	(47,974)
Street lights	10,378	10,378	15,817	5,439
Transportation Committee/C Funds	10,000	10,000	98,374	88,374
	881,178	881,178	916,673	35,495
Sanitation:				
Convenience sites	292,600	292,600	347,715	55,115
Recycling Center	94,550	94,550	87,897	(6,653)
Transfer station	1,402,450	1,402,450	1,244,313	(158,137)
	1,789,600	1,789,600	1,679,925	(109,675)
Economic Development:				
Accomodation Tax board	-	-	14,954	14,954
Clemson Extension Service	15,000	15,000	3,000	(12,000)
Development Board	149,300	149,300	122,518	(26,782)
Little Pee Dee River Commission	5,000	5,000	11,728	6,728
Northeast Strategic Alliance	-	-	9,263	9,263
Northeastern Technical College	114,000	114,000	114,000	-
Pee Dee Coalition	900	900	900	-
Pee Dee Regional Council of Governments	18,734	18,734	18,433	(301)

continued

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGET AND ACTUAL -- GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Pee Dee Regional Transportation Authority	3,000	3,000	3,000	-
Soil Conservation Service	28,300	28,300	26,710	(1,590)
Tri-County Industrial Park	75,000	75,000	72,682	(2,318)
	<u>409,234</u>	<u>409,234</u>	<u>397,188</u>	<u>(12,046)</u>
Social Services, Health and Welfare:				
Alcohol and Drug Abuse	6,000	6,000	6,582	582
Council on Aging	38,410	38,410	35,915	(2,495)
Department of Social Services	28,000	28,000	37,618	9,618
Health Department	22,027	22,027	24,456	2,429
Indigent medical care	72,000	72,000	72,068	68
Veteran Affairs	71,023	71,023	74,306	3,283
Miscellaneous	800	800	1,600	800
	<u>238,260</u>	<u>238,260</u>	<u>252,545</u>	<u>14,285</u>
Culture and Recreation:				
Library	432,300	432,300	457,837	25,537
Recreation	146,700	146,700	141,870	(4,830)
	<u>579,000</u>	<u>579,000</u>	<u>599,707</u>	<u>20,707</u>
Debt service				
Principal retirement	321,890	321,890	72,591	(249,299)
Interest	129,656	129,656	6,600	(123,056)
	<u>451,546</u>	<u>451,546</u>	<u>79,191</u>	<u>(372,355)</u>
Capital Outlay				
General government administration	25,000	25,000	900,800	875,800
Public safety and law enforcement	39,000	39,000	475,534	436,534
Public works	521,000	521,000	129,234	(391,766)
Economic Development	-	-	97,150	97,150
	<u>585,000</u>	<u>585,000</u>	<u>1,602,718</u>	<u>1,017,718</u>
Total expenditures	<u>16,787,716</u>	<u>16,787,716</u>	<u>16,146,784</u>	<u>(640,932)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	1,699,761	1,699,761
OTHER FINANCING SOURCES				
Proceeds of long-term debt	-	-	961,996	961,996
Total other financing sources	-	-	961,996	961,996
Net change in fund balances	-	-	2,661,757	2,661,757
Fund balances, beginning of year	6,244,946	6,244,946	6,244,946	-
Fund balances, end of year	<u>\$ 6,244,946</u>	<u>\$ 6,244,946</u>	<u>\$ 8,906,703</u>	<u>\$ 2,661,757</u>

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL –DEBT SERVICE FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,382,915	\$ 182,915
Total revenues	1,200,000	1,200,000	1,382,915	182,915
Expenditures				
General government administration				
Miscellaneous	-	-	17,197	17,197
Debt Service				
Principal retirement	1,000,000	1,000,000	2,019,214	1,019,214
Interest	200,000	200,000	179,827	(20,173)
Total expenditures	1,200,000	1,200,000	2,216,238	1,016,238
Excess (deficiency) of revenues over (under) expenditures	-	-	(833,323)	(833,323)
Other Financing Sources				
General obligation bonds issued	-	-	1,060,000	1,060,000
Total other financing sources	-	-	1,060,000	1,060,000
Net change in fund balances	-	-	226,677	226,677
Fund balances, beginning of year	1,038,653	1,038,653	1,038,653	-
Fund balances, end of year	\$ 1,038,653	\$ 1,038,653	\$ 1,265,330	\$ 226,677

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS – OTHER
POSTEMPLOYMENT BENEFITS –DEFINED BENEFIT HEALTH CARE PLAN
For the Year Ended June 30, 2010

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial accrued liability (AAL) (b)	Total unfunded actuarial liability (UAAL) (b)-(a)	Actuarial value of assets as percentage of actuarial liability (Funded Ratio) (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2009	7/1/2008	-	\$ 1,780,268	\$ 1,780,268	0%	\$ 6,873,168	25.9%
2010	7/1/2008	-	\$ 1,780,268	\$ 1,780,268	0%	\$ 6,883,843	25.9%

Fiscal 2009 was the year of implementation of GASB Statement No. 45 applicable to policies allowing retirees to participate in a government's health insurance plan. The County has elected to implement the standard prospectively. Accordingly, data for prior years which would provide trend information are not available. The County's next required actuarial valuation will be prepared as of June 30, 2011.

**DILLON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
June 30, 2010**

	Workforce Investment Act Fund	Sheriff Discretionary Fund	Accommodations Tax Fund	E-911 Subscriber Billing Fund	Clerk of Court Child Support Discretionary Fund	Alcohol and Drug Abuse Prevention	Federal Grants	Total
Assets								
Receivables, net of allowance for doubtful accounts	\$ 68,134	\$ -	\$ -	\$ 49,637	\$ 1,254	\$ 5,465	\$ -	\$ 124,490
Due from other funds	-	618,046	-	-	104,022	-	-	800,675
Total assets	\$ 68,134	\$ 618,046	\$ -	\$ 49,637	\$ 105,276	\$ 5,465	\$ 78,607	\$ 925,165

Liabilities and Fund Balances (Deficit)

Liabilities:								
Accounts payable	\$ 14	\$ 508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 522
Due to other funds	21,412	-	9,919	19,210	-	27,247	-	77,788
	21,426	508	9,919	19,210	-	27,247	-	78,310

Fund Balances (Deficit)

Unreserved, undesignated	46,708	617,538	(9,919)	30,427	105,276	(21,782)	78,607	846,855
Total fund balances (deficit)	46,708	617,538	(9,919)	30,427	105,276	(21,782)	78,607	846,855
Total liabilities and fund balances (deficit)	\$ 68,134	\$ 618,046	\$ -	\$ 49,637	\$ 105,276	\$ 5,465	\$ 78,607	\$ 925,165

DILLON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) -
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2010

	Workforce Investment Act Fund	Sheriff Discretionary Fund	Accommodations Tax Fund	E-911 Subscriber Billing Fund	Clerk of Court Child Support Discretionary Fund	Alcohol and Drug Abuse Prevention	Federal Grants	Total
Revenues								
Intergovernmental revenue	\$ 383,928	\$ -	\$ 36,211	\$ -	\$ 33,067	\$ 146,677	\$ 379,223	\$ 979,106
Charges for services	-	-	-	220,502	-	-	-	220,502
Fines and forfeits	-	16,173	-	-	-	-	-	16,173
Total revenues	383,928	16,173	36,211	220,502	33,067	146,677	379,223	1,215,781
Expenditures								
Current								
Administration of justice	-	-	-	-	20,329	-	-	20,329
Public safety and law enforcement	-	61,321	-	177,825	-	-	261,692	500,838
Economic development	378,211	-	28,400	-	-	-	-	406,611
Social services, health and welfare	-	-	-	-	-	166,563	-	166,563
Capital outlay	-	50,440	-	-	-	-	118,720	169,160
Public safety and law enforcement	-	111,761	28,400	177,825	20,329	166,563	380,412	1,263,501
Total expenditures	378,211	111,761	28,400	177,825	20,329	166,563	380,412	1,263,501
Net change in fund balances (deficit)	5,717	(95,588)	7,811	42,677	12,738	(19,886)	(1,189)	(47,720)
Fund balances, beginning of year	40,991	713,126	(17,730)	(12,250)	92,538	(1,896)	79,796	894,575
Fund balances (deficit), end of year	\$ 46,708	\$ 617,538	\$ (9,919)	\$ 30,427	\$ 105,276	\$ (21,782)	\$ 78,607	\$ 846,855

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF COURT FINE AND ASSESSMENT ACTIVITY AND EXPENDITURES FOR
VICTIMS SERVICES -- REQUIRED BY STATE LAW
For the Year Ended June 30, 2010

	General Sessions Court	Magistrates Courts	Probate Court	Total
Fines and fees collected	\$ 376,397	\$ 375,615	\$ 11,300	\$ 763,312
Assessments collected	4,488	376,199	-	380,687
Surcharges collected	186,783	14,532	-	201,315
Fines and fees retained by County	(197,277)	(358,852)	-	(556,129)
Assessments retained by County	(1,848)	(37,922)	-	(39,770)
Surcharges retained by County	(7,635)	(10,665)	-	(18,300)
Fines and assessments remitted to State Treasurer	360,908	358,907	11,300	731,115
Fines and assessments payable to State Treasurer's Office on June 30, 2010				(59,314)
Fiscal 2009 fines and assessments on account with State Treasurer on June 30, 2010				<u>\$ 671,801</u>
Spent on victims' services:				
From assessments and surcharges				58,070
From other funds				110,728
				<u>\$ 168,798</u>

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF LIBRARY REVENUES AND EXPENDITURES BY SOURCE OF FUNDS –
REQUESTED BY THE STATE LIBRARY
For the Year Ended June 30, 2010

Source of Funds	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Local sources				
County funds	\$ -	\$ 357,275	\$ 357,275	\$ -
Fees and fines	6,794	7,505	7,505	6,794
Interest	29	-	-	29
Gifts and donations	250	5,000	4,005	1,245
Total local sources	<u>7,073</u>	<u>369,780</u>	<u>368,785</u>	<u>8,068</u>
State sources				
State aid	-	60,000	60,000	-
Total state sources	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Federal Sources				
E-rate funds	-	10,157	9,909	248
Department of Education				
ARRA State Fiscal Stabilization Fund -				
Government Services, Recovery Act (CFDA No. 84.397)	-	12,903	12,903	-
National Foundation for the Arts				
Grants to States (CFDA No. 45.310)	-	6,240	6,240	-
Total federal sources	<u>-</u>	<u>29,300</u>	<u>29,052</u>	<u>248</u>
Total all sources	<u>\$ 7,073</u>	<u>\$ 459,080</u>	<u>\$ 457,837</u>	<u>\$ 8,316</u>

DILLON COUNTY, SOUTH CAROLINA
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>WIA-Cluster</i>			
Department of Labor Pass-through Programs from:			
Pee Dee Regional Council of Governments			
WIA Adult Program	17.258	9A507K1	\$ 169,711
ARRA - WIA Adult Program	17.258	9MA507K1	26,284
WIA Dislocated Workers	17.260	9D507K1	105,855
ARRA - WIA Dislocated Workers	17.260	9MD507K1	29,048
<i>Total WIA Cluster</i>			<u>330,898</u>
Department of Agriculture Pass-through Programs From:			
South Carolina Forest Service			
Cooperative Forestry Assistance	10.664	N/A	1,000
<i>Total Department of Agriculture Programs</i>			<u>1,000</u>
Department of Housing and Urban Development Pass-through Programs From:			
South Carolina Department of Commerce			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	4-RP-08-007	42,636
<i>Total Department of Housing and Urban Development Programs</i>			<u>42,636</u>
Department of Justice Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program			
ARRA - FY 09 Recovery Act Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.738	DJBX0399	26,345
ARRA - FY 09 Recovery Act Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804	SBB90713	108,129
<i>Subtotal Department of Justice Direct Programs</i>			<u>134,474</u>
Department of Justice Pass-through Programs From:			
South Carolina Department of Public Safety			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	1GS09199	131,429
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	1GS09101	45,437
Total ARRA - Edward Byrne Memorial Justice Assistance Grant Program			176,866
<i>Total Department of Justice</i>			<u>311,340</u>
Department of Labor Pass-through Programs From:			
Pee Dee Regional Council of Governments			
Trade Adjustment Assistance	17.245	9R507K1	47,313
<i>Total Department of Labor</i>			<u>47,313</u>
National Foundation on the Arts and the Humanities, Office of Library Services			
Pass-through Programs From:			
South Carolina State Library			
Grants to States	45.310	N/A	6,240
<i>Total National Foundation on the Arts and the Humanities, Office of Library Services</i>			<u>6,240</u>

Continued

DILLON COUNTY, SOUTH CAROLINA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education Pass-through Programs From:			
South Carolina State Library			
ARRA State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	2402-10	<u>12,903</u>
<i>Total Department of Education</i>			<u>12,903</u>
Department of Health and Human Services Pass-through Programs From:			
South Carolina Department of Social Services			
Child Support Enforcement	93.563	N/A	<u>21,306</u>
<i>Total Department of Health and Human Services</i>			<u>21,306</u>
Department of Homeland Security Pass-through Programs From:			
South Carolina Emergency Management Division			
Emergency Management Performance Grants	97.042	8EMPG01	<u>19,434</u>
			<u>19,434</u>
Total Expenditures of Federal Awards			<u><u>\$ 793,070</u></u>

The accompanying notes are an integral part of this schedule.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes federal grant activity of Dillon County under programs of the federal government for the year ended June 30, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Dillon County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Dillon County.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



**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**

County Council
Dillon County
Dillon, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina (the County), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described as item FS2010-01 in the schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County, in a separate letter dated January 21, 2011.

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

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

Columbia, South Carolina
January 21, 2011

Clark Eustace Wagner, CPA, PA



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

County Council
Dillon County
Dillon, South Carolina

Compliance

We have audited Dillon County, South Carolina's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

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

Internal Control over Compliance

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

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

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

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

Columbia, South Carolina
January 21, 2011

Clark Gustace Wagner, CPA, PA

DILLON COUNTY, SOUTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2010

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Summary of Auditors' Results

- | | |
|--|-------------|
| 1. Type of auditors' report issued: | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Typed of auditors' report issued on compliance for major programs: | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? | No |
| 4. Identification of major programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
17.258	WIA Adult Program
17.260	WIA Dislocated Workers
17.245	Trade Adjustment Assistance
93.563	Child Support Enforcement

- | | |
|---|-----------|
| 5. Dollar Threshold used to distinguish between Type A and B programs? | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under Section 530 of Circular A-133? | No |

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2010

B. FINANCIAL STATEMENT FINDINGS

FS2010-01 - MATERIAL WEAKNESS

Criteria: Sound internal control requires that management establish a control environment in which it assesses the risks of where financial statement fraud and error can occur and where assets can be stolen, establish control activities to prevent both, and establish a flow of information and communication to facilitate financial reporting and to monitor whether controls are effective and functioning as designed.

Condition: Dillon County has not developed sound internal controls to safeguard the County's assets and to ensure accurate and timely financial reporting. During the current year, the County did not properly record capitalized assets and did not fully accrue all revenues and expenditures. The predecessor auditor had noted many other matters that continue to be at least partially unresolved.

Cause: Sound internal control requires that staff be properly trained about the nature of accounts in the County's accounting records and staff time needs to be available for reviewing the County's accounting records. Further, specific employees need to be formally designated as responsible for maintaining the accuracy of the accounting records and then held accountable for duties officially assigned to them. This finding indicates that these key components of internal control are missing in the County's management.

Recommendation: The County has had recent turnover of the County Administrator position. The predecessor auditor has recommended that the County hire a Finance Director to oversee their internal controls and financial reporting. There continues to be a lack of existence of a person assigned the duty to oversee the accounting and finance function. The County Treasurer has become involved more than is contemplated in the typical County structure to address areas of concern within the finance area. The accounting functions remain fragmented and are not centrally located. The County did contract with a local CPA firm to provide year-end assistance to ready the County books for audit. This contractual arrangement minimizes the number and types of entries needing to be made by the auditor. It also resulted in the County being able to prepare its own financial statements complete with notes disclosures. Outside of this arrangement, it appears that the County has done little to address the concerns expressed by the predecessor auditor.

We recommend that the County seek to establish some form of continuity in the County Administrator role and also seek to identify a skilled person to oversee the financial operations of the County. Additionally, the County should consider expanding the role of the CPA consultant to incorporate some accounting procedures and training objectives through out the year.

Response: Dillon County management, under the leadership of a new County Administrator, has reviewed the finding and will make every attempt to update and promote a financial environment that is indicative of what is defined as a sound internal control environment in order to produce financial reports. Dillon County has plans under the new administration to realign our current staff to insure a sound environment that has more controls. Along with this realignment, our County Administrator will be taking the leadership role of the financial aspects of the County. The new Administrator is a seasoned finance director as well as county administrator.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

DILLON COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR FINDINGS
June 30, 2010

2009-1 Lack of Adequate Internal Control

See current year FS2010-01.

2009-2 Compliance – Lack of a Drug Free Workplace

General requirements applicable to expenditure of Federal funds require that grant recipients maintain a drug-free workplace. I found during Single Audit work (done prior to discovering that the County's Statement of Expenditures of Federal Awards was materially misstated and the work was not required) that County employees were not familiar with what a "Drug Free Workplace" requires and that the County's drug abuse policy does not comply with Federal requirements.

Current status: The County's Drug-Free Workplace policy appears to meet the requirements of the Drug-Free Workplace Act of 1988. This Act requires all recipients of federal awards meet certain requirements related to maintaining a drug-free workplace. This compliance finding has been addressed by management.

2008-1 Control Environment / Financial Statements Preparation

Management has not had the time or the personnel to conduct a risk assessment to determine what controls are necessary, to provide adequate training and supervision for employees involved in the financial reporting process and to monitor the effectiveness of controls. As a result, County employees were not able to prevent or detect potential fraud or financial statement misstatements on a timely basis in the normal course of their duties. This condition was originally reported as finding 2007-1.

Current status: Management has initiated its resolution of this finding by hiring an outside CPA consultant to assist with year-end closing and reporting procedures. The County should continue with its efforts to educate its own employees with the assistance of the CPA consultant. Sole reliance on the consultant as its control system is not recommended. Employees should be adequately trained and informed such that internal control effectiveness and financial reporting reliability can be maintained on a day-to-day basis.

2007-3 Lack of Segregation of Duties in Federal Grant Administration

The director of One Stop makes purchases and approves payments of all grant expenditures. While the County as attempted to add another layer of personnel to the approval process, the additional personnel are not knowledgeable about the general and specific requirements applicable to the grants which fund the program.

Current status: The County has attempted to address this finding; however, not all One Stop invoices show approval by someone other than the director of the program.