

DILLON COUNTY,
SOUTH CAROLINA
**Financial Statements with
Independent Auditors' Report**
For the Year Ending
June 30, 2014

**DILLON COUNTY, SOUTH CAROLINA
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Year Ended June 30, 2014**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the County Council of Dillon
County of Dillon, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and historical postemployment benefit information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information presented (budgetary comparison information and historical postemployment benefit 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. While budgetary information and historical postemployment benefit information have been presented on pages 33 - 37, management's discussion and analysis has not been presented. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements and schedule of court fines and assessment activity and expenditures for victim's services are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining nonmajor fund financial statements, schedule of court fines and assessment activity and expenditures for victim's services, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, schedule of court fines and assessment activity and expenditures for victim's services, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of Dillon County, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dillon County, South Carolina's internal control over financial reporting and compliance.

Webster Rogers LLP

Florence, South Carolina
December 5, 2014

BASIC FINANCIAL STATEMENTS

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DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government	Component Unit
	Governmental Activities	Library
ASSETS		
Cash and cash equivalents	\$ 8,779,697	\$ 10,880
Investments	2,532,207	26,464
Receivables, net of allowance for doubtful accounts	4,454,139	-
Prepays	86,431	-
Due from other governmental entities	193,234	-
Due from primary government	-	53,504
Inventories	57,475	-
Capital assets not being depreciated		
Construction in progress	2,910,926	-
Economic development property	3,034,497	-
Land	1,312,259	-
Capital assets, net of accumulated depreciation		
Buildings and improvements	9,649,903	-
Heavy equipment and vehicles	2,443,863	-
Library collections	-	228,129
Equipment and furnishings	196,687	-
Infrastructure	4,319,499	-
Total assets	<u>39,970,817</u>	<u>318,977</u>
LIABILITIES		
Accounts payable	1,904,197	17,622
Accrued salaries and payroll withholdings	656,216	-
Accrued interest	19,173	-
Due to other governmental entities	207,143	-
Due to component unit	53,504	-
Unearned revenue	413,633	-
Obligation for other postemployment benefits	1,060,344	-
Long-term liabilities:		
Due within one year	1,862,333	-
Due in more than one year	7,657,662	-
Total Liabilities	<u>13,834,205</u>	<u>17,622</u>
NET POSITION		
Net investment in capital assets	18,194,403	228,129
Restricted for :		
Administration of justice	152,667	-
Public safety and law enforcement	571,911	-
Economic development	82,759	-
Social services, health and welfare	11,088	-
Culture and recreation	-	73,226
Debt service	1,911,538	-
Unrestricted	<u>5,212,246</u>	<u>-</u>
Total net position	<u>\$ 26,136,612</u>	<u>\$ 301,355</u>

The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
					Primary Government Total Governmental Activities	Library
Primary government:						
Governmental activities:						
General government administration	\$ 4,085,150	\$ 98,903	\$ 7,241	\$ -	\$ (3,979,006)	\$ -
Administration of justice	1,185,395	729,769	198,250	-	(257,376)	-
Public safety and law enforcement	9,478,606	2,545,755	451,199	26,545	(6,455,107)	-
Public works	1,579,576	960,387	97,081	-	(522,108)	-
Sanitation	2,088,593	2,630,561	181,955	-	723,923	-
Economic development	3,795,511	-	2,945,293	-	(850,218)	-
Social services, health, and welfare	328,540	-	153,225	-	(175,315)	-
Culture, recreation, and education	674,179	25,121	-	-	(649,058)	-
Interest on long-term debt	80,741	-	-	-	(80,741)	-
Total primary government	\$ 23,296,291	\$ 6,990,496	\$ 4,034,244	\$ 26,545	\$ (12,245,006)	\$ -
Component Unit:						
Dillon County Library	\$ 468,591	\$ -	\$ 476,688	\$ -		\$ 8,097

General revenues		
Property taxes	7,859,580	-
Sales taxes	2,380,886	-
Franchise fees and permits	51,999	-
Grants and contributions not restricted to specific programs	1,241,606	-
Unrestricted interest income	4,361	98
Other	117,431	-
Total general revenues and transfers	11,655,863	8,195
Change in net position	(589,143)	8,195
Net position, beginning of year, restated	26,725,755	293,160
Net position, end of year	\$ 26,136,612	\$ 301,355

The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,777,890	\$ -	\$ 1,807	\$ 8,779,697
Investments	2,532,207	-	-	2,532,207
Receivables, net of allowance for doubtful accounts	4,343,519	66,109	32,631	4,442,259
Inventories	57,475	-	-	57,475
Prepays	86,431	-	-	86,431
Due from other funds	277,095	1,845,429	806,155	2,928,679
Total assets	<u>\$ 16,074,617</u>	<u>\$ 1,911,538</u>	<u>\$ 840,593</u>	<u>\$ 18,826,748</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,902,239	\$ -	\$ 1,958	\$ 1,904,197
Accrued salaries and payroll withholdings	656,216	-	-	656,216
Unearned revenue	413,633	-	-	413,633
Due to component unit	53,504	-	-	53,504
Due to other funds	2,858,727	-	83,861	2,942,588
Total liabilities	<u>5,884,319</u>	<u>-</u>	<u>85,819</u>	<u>5,970,138</u>
Deferred inflows of resources:				
Deferred inflows from property taxes	314,069	46,818	-	360,887
Deferred inflows from accounts receivable	300,560	-	-	300,560
Total deferred inflows of resources	<u>614,629</u>	<u>46,818</u>	<u>-</u>	<u>661,447</u>
Fund Balances:				
Nonspendable:				
Inventories and prepaids	143,906	-	-	143,906
Restricted for:				
Administration of justice	-	-	152,667	152,667
Public safety and law enforcement	462	-	571,449	571,911
Economic development	-	-	82,759	82,759
Social services, health, and welfare	-	-	11,088	11,088
Debt service	-	1,864,720	-	1,864,720
Unassigned	9,431,301	-	(63,189)	9,368,112
Total fund balances	<u>9,575,669</u>	<u>1,864,720</u>	<u>754,774</u>	<u>12,195,163</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,074,617</u>	<u>\$ 1,911,538</u>	<u>\$ 840,593</u>	<u>\$ 18,826,748</u>

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

Amounts reported for government activities in the statement of net position are different from -Fund balance - total governmental funds because:	
Fund balances - total governmental funds (page 9)	\$ 12,195,163
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	23,867,634
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Property taxes	360,887
Accounts receivable	312,440
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	(480,644)
Other post-employment benefits	(1,060,344)
Provision for landfill closure and post-closure costs	(3,290,120)
Accrued interest	(19,173)
Bonds and leases payable	<u>(5,749,231)</u>
Net position of governmental activities (page 7)	<u>\$ 26,136,612</u>

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Property taxes and vehicle and fire fees	\$ 7,721,281	\$ 1,363,576	\$ 32,495	\$ 9,117,352
Sales	2,380,886	-	-	2,380,886
Intergovernmental revenue	4,795,453	-	232,308	5,027,761
Gifts and grants	405,079	-	5,803	410,882
Licenses and permits	298,619	-	-	298,619
Charges for services	4,571,435	-	-	4,571,435
Fines, fees, and forfeitures	636,656	-	31,621	668,277
Interest income	4,361	-	-	4,361
Other	117,431	-	-	117,431
Total revenues	20,931,201	1,363,576	302,227	22,597,004
EXPENDITURES				
Current				
General government administration	3,390,699	-	-	3,390,699
Administration of justice	1,169,172	-	12,712	1,181,884
Public safety and law enforcement	8,600,169	-	90,670	8,690,839
Public works	1,115,213	-	-	1,115,213
Sanitation	2,370,280	-	-	2,370,280
Economic development	3,768,070	-	19,796	3,787,866
Social services, health, and welfare	222,772	-	103,001	325,773
Culture, recreation, and education	206,240	-	-	206,240
Debt Service				
Principal retirement	34,158	1,159,625	-	1,193,783
Interest	8,746	67,486	-	76,232
Capital Outlay				
General government administration	14,000	-	-	14,000
Administration of justice	6,779	-	-	6,779
Public safety and law enforcement	2,812,610	-	38,679	2,851,289
Public works	40,478	-	-	40,478
Sanitation	65,645	-	-	65,645
Economic development	2,606,888	-	-	2,606,888
Total expenditures	26,431,919	1,227,111	264,858	27,923,888
Excess (deficiency) of revenues over (under) expenditures	(5,500,718)	136,465	37,369	(5,326,884)
OTHER FINANCING SOURCES (USES)				
Transfer in	2,270,900	-	-	2,270,900
Transfer out	-	-	(2,270,900)	(2,270,900)
Transfers out - component unit	(385,844)	-	-	(385,844)
Proceeds from issuance of general obligation bonds	2,500,000	-	-	2,500,000
Proceeds of capital leases	400,000	-	-	400,000
Total other financing sources (uses)	4,785,056	-	(2,270,900)	2,514,156
Net change in fund balances	(715,662)	136,465	(2,233,531)	(2,812,728)
Fund balances, beginning of year, restated	10,291,331	1,728,255	2,988,305	15,007,891
Fund balances, end of year	\$ 9,575,669	\$ 1,864,720	\$ 754,774	\$ 12,195,163

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, 2014

Amounts reported for governmental activities in the statement of activities (page 8) are different because:

Net change in fund balances -- total governmental funds (page 11) \$ (2,812,728)

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	5,585,079
Depreciation expense reported in governmental activities	(1,946,750)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property taxes	1,551
Accounts receivable	101,093
Gift of fixed assets	7,500

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:

Repayment of long-term debt	1,193,783
Issuance of long-term debt	(2,900,000)

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	(40,205)
Provision for landfill closure and post-closure costs	431,698
Other post-employment benefits	(205,655)
Accrued interest	(4,509)

Change in net position of governmental activities (page 8)	\$ (589,143)
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The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 11,621,980
Due from others	175,526
Due from other funds	207,143
Total assets	\$ 12,004,649
 LIABILITIES	
Due to Dillon County school districts	\$ 9,652,035
Due to others	2,159,380
Due to other funds	\$ 193,234
Total liabilities	12,004,649
NET POSITION	\$ -

The accompanying notes are an integral part of these statements

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

The basic financial statements of the County present the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable. The discretely presented component unit discussed below is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County government.

Discretely Presented Component Unit – Dillon County Library. Dillon County Library (the Library) was created in 1979 pursuant to Ordinance 79-5 to serve the needs of Dillon County citizens. The Library's Board of Trustees is appointed by County Council. The County owns the land and buildings used by the Library and finances Library construction. County Council appropriates a significant portion of the Library's annual budget. The Library meets the criteria set forth in generally accepted governmental accounting principles for inclusion as a component unit with Dillon County, South Carolina. Separate financial statements for the Dillon County library are not available.

B. Basis of Presentation

The County's financial statements are presented from two perspectives, the government-wide perspective and the fund perspective.

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. The two statements report information on all non-fiduciary *governmental activities* of the County (the "primary government"). The County's fiduciary funds which are used to report assets held by the County in a trustee or agency capacity are not included in the government wide-financial statements because those funds can't be used to support the County's own programs. In Dillon County these funds are primarily taxes collected on behalf of other governments, various court bonds, and funds escrowed for their respective programs

The statement of net position reports all financial and capital resources of the County and reports the difference between assets and liabilities as net position, not as fund balance or equity. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

The use of multiple funds gives rise to interfund activity. Most, but not all, of this internal activity is eliminated from the government-wide statement of activities. Except for net residual balances which are reported as internal balances, amounts reported in the funds as due to or from other funds have been eliminated in the governmental activities column of the statement of net position. Amounts reported in the funds as due to or from fiduciary funds are included in the statement of net position as receivable from and payable to external parties, when applicable.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Fund financial statements present separate information for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. The focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Governmental fund types are those through which most governmental functions of the County are financed. The County's expendable financial resources and related assets and liabilities (except for those accounted for in the fiduciary funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

The County reports the following two major governmental funds:

General Fund - the government's general operating fund. The general fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the general fund. General operating expenditures, capital improvement costs, and general debt service that are not expended through other funds are expended from the general fund.

Debt Service Fund – used to account for and report property taxes levied to repay capital debt and for repayment of applicable principal and interest.

The County's nonmajor funds include seven special revenue funds. These funds are used to account for proceeds of designated specific revenue sources that are legally restricted to expenditures for specified purposes as follows:

Sheriff Discretionary Fund	Accommodations Tax Fund
Santee Cooper Grant Fund	Clerk of Court Child Support Discretionary Fund
Economic Development Fund	Federal Grant Fund
Trinity Behavioral Health Fund	

In fiscal 2014, County Council voted to close the County's previously reported capital projects fund and transfer the remaining fund balance to the general fund. Accordingly, the transfer out is included as a transaction from a nonmajor fund.

The County uses a single fiduciary fund type, the agency fund. This fund is used to account for assets held by the County in a trustee capacity for individuals, other governments, and/or other funds. The agency fund is custodial in nature and does not present results of operations.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. As a general rule, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the county gives or receives value without directly giving or receiving equal value in exchange, include property taxes, grants and entitlements. 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 grantor have been met.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be identified and available means collectible within the current period or soon enough thereafter (generally not to exceed 60 days) to be used to pay liabilities of the current period. 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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

The accounting policies and the presentation of the financial report of the County have been designed to conform to generally accepted accounting principles (GAAP) as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB).

D. Assets, Liabilities and Net Position

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

All trade and property tax receivables are shown net of an allowance for any that are uncollectible. Receivables outstanding for more than 180 days generally comprise the allowance for doubtful accounts.

Property Tax Calendar

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.

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.

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.

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

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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. Funds expended for construction of capital assets which were not placed in service as of yearend are reported as construction in progress.

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.

The Dillon County Library capitalizes the annual total cost of additions to its collections. Depreciation is computed over five years with a half year recorded in the year of acquisition.

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.

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 position. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the period incurred.

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.

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation pay benefits up to 240 hours and carry it forward from one year to the next. Employees separating from service are paid their regular pay rate for accrued and unused leave. All vacation pay is accrued when incurred in the government-wide financial statements.

Future Landfill Closure and Post-Closure Care Costs

In accordance with GASB Codification Sec. L10, the County recognizes expenses for landfill closure and post-closure care costs over the life of the landfill's operation in proportion to the usage of the landfill's total capacity. Federal and state regulations related to landfill closure procedures are comprehensive and require post-closure care and monitoring for a period extending either twenty (20) years, for construction and demolition waste landfills, or thirty (30) years, for municipal solid waste landfills, after closure.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (that is, as an expense or expenditure) until then. The County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position sometimes includes a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (that is, as revenue) until that time. The County has no items that qualify for reporting in this category.

Governmental funds report deferred flows of resources in connection with receivables for revenues that are not considered

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available to liquidate liabilities of the current period, that is, when assets are recognized before revenue recognition criteria have been met. In subsequent periods, when revenue recognition criteria have been met, the deferred inflows of resources are removed and the revenue is recognized.

Governmental Fund Balances

Fund balance is reported in five classifications based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent because they are not in spendable form (e.g., inventories and prepaid amounts), or are legally or contractually required to be maintained intact.
- *Restricted* fund balance is reported when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., County ordinances).
- *Committed* fund balance is reported when County Council passes a resolution that places specific constraints on how resources may be used. Council can modify or rescind a commitment of resources through passage of a new resolution.
- *Assigned* fund balance is reported when there are resources constrained by the government's intent to use them for a specific purpose, but which are neither restricted nor committed. Intent may be expressed by the Council, its committees, or by officials like the County Administrator to whom the Council has delegated authority.
- *Unassigned* fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the year ended June 30, 2014, general fund expenditures exceeded appropriations in the following departments: auditor, code enforcement/building inspection, county attorney, county council, information technology, voter registration, ambulance service, animal/litter control, coroner, detention center, disaster preparedness, fire department #5, Dillon fire department, Gaddy's fire department, Oak Grove fire department, sheriff, miscellaneous public safety and law

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enforcement, roads and bridges, convenience sites, transfer station, development board, alcohol and drug abuse, department of social services, recreation, principal retirement and interest, general government administration capital outlay, public works capital outlay, sanitation capital outlay, and economic development capital outlay. Revenue in excess of budgeted amounts, a transfer in of the capital projects fund residual fund balance, the issue of debt, and accumulated fund balance funded the over-expenditures.

B. Fund Deficits

At June 30, 2014, the Economic Development special revenue fund reported a deficit of \$63,189.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits with Financial Institutions and Investments

Cash Deposits with Financial Institutions and Custodial Credit Risk

Cash deposits are subject to custodial credit risk which is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are not collateralized.

As of June 30, 2014, the carrying amount of the government's bank deposits (including investments) was \$22,933,084. The respective bank balances totaled \$23,094,000. Of the total bank balances, \$667,107 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$22,426,893 was collateralized with securities held by the financial institutions in the County's name.

Investments

At year end, the County's investments consisted of \$2,532,207 of bank certificates of deposit which matured in less than a year and which were collateralized with securities held by the financial institution in the County's name. As of June 30, 2014, the County also maintained \$17,614 in the South Carolina Pooled Investment Fund.

Investment Risks

Investments are subject to the risks that if a counterparty were to fail, the government would not be able to recover the value of its investments held by an outside party (custodial credit risk), that an issuer or other counterparty to an investment will not fulfill its obligations (credit risk), the risk of loss attributable to the magnitude of investment in a single issuer (concentration of credit risk), and the risk that interest rates will adversely affect the fair value of an investment (interest rate risk).

To mitigate risk, the County's investments are in accordance with state law which limits local government to investments in (1) obligations of the United States and agencies thereof; (2) general obligations of the State of South Carolina or any of its political units; (3) savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation (FDIC); (4) certificates of deposits and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and (5) no load open and closed-end portfolios of certain investment companies with issues of the US Government.

The County has no investment policy to further manage its investment maturities as a means of limiting exposure to fair value losses arising from fluctuating interest rates (interest rate risk) or from credit risk arising from concentration of investments in a limited number of investment vehicles (concentration of credit risk).

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South Carolina Pooled Investment Fund

The South Carolina Pooled Investment Fund (the "Pool") funds are invested with the South Carolina State Treasurer's Office, which established the 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. 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.

Component Unit Cash and Investments

As of June 30, 2014, Dillon County Library reports cash of \$10,880. The Library also reports and investment which is a bank certificate of deposit with a carrying value and a bank balance of \$26,464. At year end, both the cash and the investment were insured through the FDIC.

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	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Taxes				
Property	\$ 547,035	\$ 76,148	\$ -	\$ 623,183
Franchise and sales	41,207	-	-	41,207
Accounts	4,824,295	-	-	4,824,295
Intergovernmental	2,726,842	-	32,631	2,759,473
Other	6,760	-	-	6,760
Gross receivables	8,146,139	76,148	32,631	8,254,918
Less, allowance for uncollectibles	(3,802,620)	(10,039)	-	(3,812,659)
Net total receivables	<u>\$ 4,343,519</u>	<u>\$ 66,109</u>	<u>\$ 32,631</u>	<u>\$ 4,442,259</u>

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

	Unavailable	Unearned
Delinquent property taxes and fees receivable (general fund)	\$ 314,069	\$ -
Delinquent property taxes and fees receivable (debt service fund)	46,818	-
EMS fees receivable (general fund)	281,945	-
Landfill accounts receivable (general fund)	18,615	-
Unearned Local Option Sales Tax revenue (general fund)	-	413,633
	<u>\$ 661,447</u>	<u>\$ 413,633</u>

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C. Capital Assets

The County's capital asset activity for the year ended June 30, 2014 was as follows:

	Restated Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 520,734	\$ 2,390,192	\$ -	\$ -	\$ 2,910,926
Economic development property	471,264	2,563,233	-	-	3,034,497
Land	1,312,259	-	-	-	1,312,259
Total capital assets not being depreciated	2,304,257	4,953,425	-	-	7,257,682
Capital assets being depreciated:					
Buildings and improvements	28,206,922	-	-	-	28,206,922
Heavy equipment and vehicles	8,089,596	596,597	-	-	8,686,193
Equipment and furnishings	4,879,989	42,557	-	-	4,922,546
Infrastructure	8,446,641	-	-	-	8,446,641
Total capital assets being depreciated	49,623,148	639,154	-	-	50,262,302
Less accumulated depreciation for:					
Buildings and improvements	17,836,503	720,516	-	-	18,557,019
Heavy equipment and vehicles	5,716,983	525,347	-	-	6,242,330
Equipment and furnishings	4,530,190	195,669	-	-	4,725,859
Infrastructure	3,621,924	505,218	-	-	4,127,142
Total accumulated depreciation	31,705,600	1,946,750	-	-	33,652,350
Total capital assets being depreciated, net	17,917,548	(1,307,596)	-	-	16,609,952
Governmental activities capital assets, net	\$ 20,221,805	\$ 3,645,829	\$ -	\$ -	\$ 23,867,634

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

General government administration	\$ 477,532
Administration of justice	672
Public safety and law enforcement	765,420
Public works	461,734
Sanitation	150,165
Economic development	7,642
Social services	2,883
Culture and recreation	80,702
Total depreciation expense - governmental activities	<u>\$ 1,946,750</u>

D. Operating Lease of Economic Development Property

Of the capital assets held for economic development, a building with a carrying value of \$471,264 is leased to an industrial tenant through March 21, 2015. Rent at the rate of \$10 per month is payable on the last day of the lease term so long as the tenant completes an agreed upon expansion of its existing facility located in Dillon County. If the tenant fails to complete the agreed upon expansion, rent will be due at the rate of \$14,420 per month. Lease inception was August 22, 2012. It is the

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County's intention to deed the building over to the industrial tenant at the conclusion of the lease term if the tenant is in compliance with the expansion agreement.

E. Long-term Debt

A summary of changes in the County's long-term obligations for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,597,500	\$ 2,500,000	\$ 1,080,625	\$ 5,016,875	\$ 1,300,625
Special source revenue bond	155,000	-	79,000	76,000	76,000
Capital leases	290,514	400,000	34,158	656,356	113,708
Compensated absences	440,439	274,226	234,021	480,644	250,000
Provision for landfill closure and post-closure costs	3,721,818	-	431,698	3,290,120	122,000
Governmental activity long-term liabilities	<u>\$ 8,205,271</u>	<u>\$ 3,174,226</u>	<u>\$ 1,859,502</u>	<u>\$ 9,519,995</u>	<u>\$ 1,862,333</u>

Details by type of obligation and a summary of debt service requirements follows.

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 are liquidated by the debt service fund. General obligation bonds outstanding as of June 30, 2014 are as follows:

\$1,060,000, Series 2009, payable in annual installments varying from \$64,874 to \$73,886, including interest at 4.25%, maturing April 2017	\$ 461,875
\$1,500,000, Series 2012A, payable in annual installments varying from \$221,550 to \$234,071, including interest at 1.77%, maturing April 2020	1,305,000
\$1,500,000, Series 2013, payable in annual installments varying from \$756,375 to \$759,851, including interest at .085%, maturing April 2015	750,000
\$2,500,000, Series 2014, payable in annual installments varying from \$234,739 to \$724,790 including interest at 1.48%, maturing April 2019	<u>2,500,000</u>
	<u>\$ 5,016,875</u>

During the year, the County authorized, but did not issue, a \$1.3 million dollar general obligation bond.

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. The County's Revenue bond outstanding at June 30, 2014 was as follows:

\$550,000, 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, maturing April 2015	<u>\$ 76,000</u>
	<u>\$ 76,000</u>

Capital Leases. The County has entered into lease agreements to finance acquisition of heavy equipment used in governmental activities. Capital leases are liquidated by the general fund. 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

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of the inception date. Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were:

Year Ending June 30,	Governmental Activities
2015	\$ 126,268
2016	308,392
2017	83,364
2018	83,364
2019	83,364
Thereafter	-
Total minimum lease payments	684,752
Less: amount representing interest	(28,396)
Present value of minimum lease payments	<u>\$ 656,356</u>

Assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Heavy equipment	\$ 604,206
Less: accumulated depreciation	(140,563)
Total	<u>\$ 463,643</u>

Following is a summary of debt service requirements to maturity by year for the governmental activities of the County:

Year Ending	General Obligation Bonds		Special Source Revenue Bond		Capital Leases		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
June 30,									
2015	\$ 1,300,625	\$ 83,843	\$ 76,000	\$ 2,803	\$ 113,708	\$ 12,560	\$ 1,490,333	\$ 99,206	\$ 1,589,539
2016	990,625	66,951	-	-	299,733	8,659	1,290,358	75,610	1,365,968
2017	1,075,625	47,370	-	-	79,793	3,571	1,155,418	50,941	1,206,359
2018	895,000	26,378	-	-	80,966	2,398	975,966	28,776	1,004,742
2019	525,000	12,494	-	-	82,156	1,208	607,156	13,702	620,858
2020	230,000	4,071	-	-	-	-	230,000	4,071	234,071
Thereafter	-	-	-	-	-	-	-	-	-
Total	<u>\$ 5,016,875</u>	<u>\$ 241,107</u>	<u>\$ 76,000</u>	<u>\$ 2,803</u>	<u>\$ 656,356</u>	<u>\$ 28,396</u>	<u>\$ 5,749,231</u>	<u>\$ 272,306</u>	<u>\$ 6,021,537</u>

Landfill Closure and Post Closure Costs

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops 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 70% of capacity. The capacity is being increased by opening additional cells.

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

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balance sheet date. The \$3,290,120 reported as the accrual for landfill closure and post-closure costs at June 30, 2014 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	\$ -	\$ 762,000	\$ 762,000	\$ -
Industrial Waste	Closed	-	1,617,420	1,617,420	-
C&D	70%	298,200	612,500	910,700	390,300
Totals		\$ 298,200	\$ 2,991,920	\$ 3,290,120	\$ 390,300

The County's provision for landfill closure and post-closure costs represents what it would cost to perform all closure and post-closure care at June 30, 2014 and is based on engineering estimates subject to change due to inflation, deflation, technology, and/or applicable laws and regulations. Federal and state statutes and regulations require that all permitted landfills have a financial assurance mechanism in place to ensure that funds are available for clean-up of the facility at the time of closure and to cover any post-closure care that may be required. The County does not qualify for the financial or alternative means tests to satisfy federal and state financial assurance requirements. The County has adopted a pay-as-you-go policy, anticipating that future available resources will be the primary source of funds to pay the cost of closure and post-closure care. During fiscal 2014, the County expended \$122,344 in landfill closure and post-closure costs.

F. Balances Due to/from Other Funds

Inter-fund balances arise because the County Treasurer utilizes a cash pool to maximize earnings. Inter-fund balances at June 30, 2014 were:

Due from	Due to	Amount
Debt Service Fund	General Fund	\$ 1,845,429
Santee Cooper Grant Fund	General Fund	4,040
Sheriff Discretionary Fund	General Fund	571,600
Accommodations Tax Fund	General Fund	78,719
Clerk of Court Child Support Discretionary Fund	General Fund	151,796
Fiduciary Funds	General Fund	207,143
General Fund	Fiduciary Funds	193,234
General Fund	Economic Development Fund	63,189
General Fund	Federal Grant Fund	19,045
General Fund	Trinity Behavioral Health Fund	1,627
		<u>\$ 3,135,822</u>

G. Transfers to/from Other Funds

During the year, the County closed the capital projects fund and transferred the remaining \$2,270,900 fund balance to the general fund.

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

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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

Description of Plans

As a condition of employment, all eligible County employees are required to participate in a pension plan. All law enforcement officers must belong to the South Carolina Police Officers' Retirement System (SCPORS). All other eligible employees must belong to the South Carolina Retirement System (SCRS). Both plans are a cost-sharing multiple-employer Public Employee Retirement System (PERS). Effective July 1, 2012, the South Carolina General Assembly transferred administration of the SCRS and PORS to the Retirement Division of the newly created South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy. Retirement costs are funded by withholding from the employees' salaries and by a contribution from the County of a percentage of the employees' salaries. As noted earlier both Retirement Systems are administered by PEBA which is a state agency. The County has no fiduciary responsibility for or further liability for either of the retirement plans beyond their current contributions. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Public Employee Benefit Authority, 202 Arbor Lake Drive, Columbia, South Carolina 29223 or at its website www.retirement.sc.gov.

Basic Provisions

Benefit provisions are established under the authority of Title 9 of the South Carolina Code of Laws. Under current statutes pertaining to the SCRS, member employees who retire at age 65 or after 28 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the average final compensation (average compensation over the last three years of credited service) times years of credited service. A member with at least 25 years of credited service who terminates employment may continue to pay employee and employer contributions until 28 years of credited service credit is reached. The contributions will be made through the most recent employer on a regular basis and remitted to the South Carolina Retirement System.

Under current statutes pertaining to the SCPORS, member employees who retire at age 55 or after 25 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 2.14 percent of average final compensation times years of credited service.

Member employees who are at least 60 years of age may elect early retirement in which case the full service benefit is reduced by 5 percent for each year the employee's age at retirement is less than 65. Member employees who are at least age 55 with 25 years of service may also elect early retirement in which case the full service retirement benefit is reduced by 4 percent for each year of service under 28. In either case, any unrecovered contributions are payable upon death and cost of living adjustments are evaluated annually on an ad hoc basis. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching 5 years

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of service. The SCRS and SCPORS also provide life insurance, survivor, and disability benefits to all member employees.

Funding Policy

South Carolina Retirement System (SCRS)

The SCRS employer contribution rate for fiscal 2014 was 10.6% which includes 0.15% to provide group life insurance. County contributions to SCRS for the years ended June 30, 2014, 2013, and 2012 were approximately \$517,000, \$482,100, and \$428,000, respectively, and were equal to the actuarially required contributions for each year. Employees contributed at a rate of 7.5% for the year ended June 30, 2014.

Police Officers Retirement System (SCPORS)

The PORS employer contribution rate for fiscal 2014 was 12.84% which includes 0.20% to provide group life insurance and an additional 0.20% for an accidental death benefit. Contributions to SCPORS for the years ended June 30, 2014, 2013, and 2012 were approximately \$350,700, \$325,150, and \$304,300, respectively, and were equal to the actuarially required contribution rates for each year. Employees contributed at a rate of 7.84% for the year ended June 30, 2014.

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 for a single-employer defined benefit post-retirement health benefit plan for retirees who meet certain length of service requirements. 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 the employee's 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 100% of the employer's portion of the retiree only insurance premiums. The balance is paid by the retired employee. Early retirees are eligible to participate in the plan at their own expense. The County's regular insurance providers underwrite the retirees' policies. There is no stand-alone financial report for the plan.

As of July 1, 2012, the measurement date for the plan year, there were 234 covered participants; 12 members were retirees receiving benefits and 222 were active participants.

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 2014, the County paid \$59,505 (approximately 63% of the total premiums) to cover current premiums for plan participants. Plan members receiving benefits paid \$34,297, or approximately 37% of the total cost of premiums.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 of accounting principles for governments generally accepted in the United States of America. 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:

Annual required contribution (ARC) for current year:	\$ 262,378
Interest on unfunded OPEB obligation	37,847
Adjustment to ARC	<u>(35,065)</u>
Annual OPEB cost (expense)	265,160
Less: actual contributions	<u>(59,505)</u>
Increase in net OPEB obligation	205,655
Net liability for OPEB, beginning of year	<u>854,689</u>
Net liability for OPEB, end of year	<u><u>\$ 1,060,344</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013, and for 2012 were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 212,128	20.0%	\$ 651,903
2013	\$ 256,893	21.1%	\$ 854,689
2014	\$ 265,160	22.4%	\$ 1,060,344

Funded Status and Funding Progress

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

Actuarial accrued liabilities (AAL):	\$ 2,701,785
Actuarial value of plan assets:	<u>-</u>
Unfunded AAL (UAAL):	<u>\$ 2,701,785</u>
Funded ratio:	0%
Covered payroll:	\$ 7,766,917
UAAL as a percentage of covered payroll:	34.8%

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

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

The Projected Unit Credit actuarial cost method is used to calculate the ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the County's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

	<i>Actuarial Methods and Assumptions</i>
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization Period	Open, 30-year period
Salary Growth	3.00% per annum
Inflation	3.00% per annum
Medical Trend	Starting at 7.25% and remaining level for 3 years, then decreasing by .25% per year to 4.5% per year for years after 2024
Drug Trend	Starting at 8.0% for 2011, 7.75% for 2012 and 2013, 7.25% for 2014, and then decreasing by .25% to 4.5% per year for years after 2024

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Participation in Jointly Governed Organization

Dillon County is a participant in the Dillon, Marion & Marlboro Counties Industrial Park which is a jointly governed organization. The organization is a nonprofit corporation governed by a board composed of the County Council chairpersons, the county administrators and the directors of development of the three respective counties. The organization's purpose is to develop and promote an industrial park at the intersection of I-95 and SC Highway 34 in Dillon County. 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 \$14,386 for fiscal 2014.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

G. Construction Commitments

At year end, the County had six outstanding construction contracts on which the remaining obligation was \$3,144,343, including retainage payable of \$464,798.

H. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those 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.

I. Restatements and Reclassifications

For the fiscal year ended June 30, 2014, as discussed in note I.A., the County is presenting the Dillon County Library as a discretely presented component unit. Because in prior years the Library was reported as a department of the County's general fund, the County's general fund fund balance was reduced by \$35,882 to remove cash restricted at the beginning of the year for use by the Library. The County's beginning net position was reduced by the same amount.

Also, during the year, it was determined that real estate held for resale reported by the general fund in prior years should have been reported as an expenditure in the year purchased. Accordingly, the general fund's beginning fund balance was reduced by \$471,264. In addition, on the statement of net position, the amount was reclassified and is reported in the current year as a capital asset.

J. Pending Implementation of GASB Statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, intends to improve financial reporting for most governments that provide their employees with pension benefits. The Statement is effective for financial statements for periods beginning after June 15, 2014. The County will implement the new guidance with the 2015 financial statements. The County is currently evaluating the future effect of this Statement on its financial statements. Management expects that implementation of this standard will materially decrease the County's net position.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, intends to improve accounting and financial reporting of combinations and disposals of government operations of state and local governments in the United States. The Statement is effective for financial statements for periods beginning after December 15, 2013. The County will implement the new guidance with the 2015 financial statements. The County expects the future effect of this Statement will be minimal.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date--an Amendment to GASB Statement No. 68*, addresses an issue regarding application of the transition provisions in Statement No. 68. This statement intends to improve financial reporting by eliminating the source of a potentially significantly understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual basis financial statements of employers and non-employer contributing entities. The statement is effective for financial statements for periods beginning after June 15, 2014. The County will implement the new guidance with the 2015 financial statements.

K. Subsequent Events

Management has evaluated subsequent events through December 5, 2014 the date the financial statements were

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

available to be issued.

During fiscal 2014, the County purchased an industrial building for \$2,563,233. The amount is included as a capital asset in the statement of net position. The building was acquired for the purpose of attracting an industry to Dillon County. Subsequent to year end, in October 2014, the County deeded the building over at no cost to a company which has agreed to occupy it and establish a segment of its operations there.

REQUIRED SUPPLEMENTARY INFORMATION

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DILLON COUNTY, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Property taxes and vehicle fees	\$ 7,891,200	\$ 7,891,200	\$ 7,721,281	\$ (169,919)
Sales taxes	1,942,302	1,942,302	2,380,886	438,584
Intergovernmental revenue	2,456,667	2,456,667	4,795,453	2,338,786
Gifts and grants	20,000	20,000	405,079	385,079
Licenses and permits	287,200	287,200	298,619	11,419
Charges for services	4,323,136	4,323,136	4,571,435	248,299
Fines, fees, and forfeitures	766,000	766,000	636,656	(129,344)
Interest income	40,000	40,000	4,361	(35,639)
Other	45,000	45,000	117,431	72,431
Total revenues	17,771,505	17,771,505	20,931,201	3,159,696
EXPENDITURES				
General government administration:				
Assessor	356,222	356,222	312,475	(43,747)
Auditor	98,121	98,121	99,981	1,860
Code enforcement/building inspection	149,833	149,833	154,090	4,257
County attorney	60,560	60,560	64,169	3,609
County council	634,146	634,146	728,778	94,632
Election/Registration	53,515	53,515	35,788	(17,727)
Information Technology	66,060	66,060	70,771	4,711
Public building maintenance	412,097	412,097	382,172	(29,925)
Purchasing and finance	168,500	168,500	150,037	(18,463)
Treasurer	373,730	373,730	369,078	(4,652)
Voter registration	98,186	98,186	144,148	45,962
Miscellaneous general government administration	1,225,344	1,225,344	879,212	(346,132)
	3,696,314	3,696,314	3,390,699	(305,615)
Administration of Justice:				
Clerk of court	497,860	497,860	443,671	(54,189)
Magistrates	371,905	371,905	348,944	(22,961)
Public Defender	54,000	54,000	54,000	-
Probate judge	176,520	176,520	165,253	(11,267)
Miscellaneous administration of justice	170,500	170,500	157,304	(13,196)
	1,270,785	1,270,785	1,169,172	(101,613)
Public Safety and Law Enforcement:				
Ambulance service	1,085,351	1,085,351	1,363,933	278,582
Animal/litter control	159,720	159,720	238,053	78,333
Coroner	98,561	98,561	107,569	9,008
Detention Center	2,454,000	2,454,000	2,530,512	76,512
Disaster preparedness	84,630	84,630	109,301	24,671
E911 Service	820,858	820,858	795,339	(25,519)
Fire Department - #5	96,390	96,390	153,295	56,905
Fire Department - Dillon	192,005	192,005	218,365	26,360

continued

See independent auditors' report and note to required supplementary information.

DILLON COUNTY, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Fire Department - Gaddy's	161,485	161,485	172,702	11,217
Fire Department - Lake View	160,100	160,100	110,357	(49,743)
Fire Department - Latta	179,310	179,310	116,523	(62,787)
Fire Department - Oak Grove	76,983	76,983	91,136	14,153
School resource officer	340,000	340,000	229,066	(110,934)
Sheriff	2,069,900	2,069,900	2,113,885	43,985
Victims assistance	74,160	74,160	57,734	(16,426)
Miscellaneous public safety and law enforcement	186,000	186,000	192,399	6,399
	<u>8,239,453</u>	<u>8,239,453</u>	<u>8,600,169</u>	<u>360,716</u>
Public Works:				
Roads and bridges	925,433	925,433	987,521	62,088
Miscellaneous public works	369,615	369,615	127,692	(241,923)
	<u>1,295,048</u>	<u>1,295,048</u>	<u>1,115,213</u>	<u>(179,835)</u>
Sanitation:				
Convenience sites	315,420	315,420	381,716	66,296
Transfer station	1,552,176	1,552,176	1,988,564	436,388
	<u>1,867,596</u>	<u>1,867,596</u>	<u>2,370,280</u>	<u>502,684</u>
Economic Development:				
Development Board	136,660	136,660	140,227	3,567
Economic development projects	4,798,367	4,798,367	3,346,980	(1,451,387)
Soil Conservation Service	31,500	31,500	31,015	(485)
Miscellaneous economic development	462,716	462,716	249,848	(212,868)
	<u>5,429,243</u>	<u>5,429,243</u>	<u>3,768,070</u>	<u>(1,661,173)</u>
Social Services, Health, and Welfare:				
Alcohol and Drug Abuse	7,000	7,000	8,132	1,132
Council on Aging	38,410	38,410	37,272	(1,138)
Department of Social Services	32,000	32,000	32,171	171
Health Department	26,527	26,527	16,626	(9,901)
Veteran Affairs	79,573	79,573	75,734	(3,839)
Miscellaneous social services, health and welfare	66,000	66,000	52,837	(13,163)
	<u>249,510</u>	<u>249,510</u>	<u>222,772</u>	<u>(26,738)</u>
Culture and Recreation:				
Recreation	205,037	205,037	206,240	1,203
	<u>205,037</u>	<u>205,037</u>	<u>206,240</u>	<u>1,203</u>
Debt Service:				
Principal retirement	-	-	34,158	34,158
Interest	-	-	8,746	8,746
	<u>-</u>	<u>-</u>	<u>42,904</u>	<u>42,904</u>
Capital Outlay:				
General government administration	11,000	11,000	14,000	3,000
Administration of justice	12,500	12,500	6,779	(5,721)
Public safety and law enforcement	4,474,053	4,474,053	2,812,610	(1,661,443)
Public works	21,000	21,000	40,478	19,478
Sanitation	50,000	50,000	65,645	15,645

continued

See independent auditors' report and note to required supplementary information

DILLON COUNTY, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
Economic development	-	-	2,606,888	2,606,888
	4,568,553	4,568,553	5,546,400	977,847
Total expenditures	26,821,539	26,821,539	26,431,919	(389,620)
Excess (deficiency) of revenues over (under) expenditures	(9,050,034)	(9,050,034)	(5,500,718)	3,549,316
OTHER FINANCING SOURCES AND USES				
Transfers in	2,270,900	2,270,900	2,270,900	-
Transfers out - component unit	(443,886)	(443,886)	(385,844)	58,042
Proceeds from issuance of general obligation bonds	4,172,232	4,172,232	2,500,000	(1,672,232)
Proceeds of capital leases	-	-	400,000	400,000
Total other financing sources	5,999,246	5,999,246	4,785,056	(1,214,190)
Net change in fund balance	(3,050,788)	(3,050,788)	(715,662)	2,335,126
Fund balance, beginning of year, restated	10,291,331	10,291,331	10,291,331	-
Fund balance, end of year	<u>\$ 7,240,543</u>	<u>\$ 7,240,543</u>	<u>\$ 9,575,669</u>	<u>\$ 2,335,126</u>

See independent auditors' report and note to required supplementary information

DILLON COUNTY, SOUTH CAROLINA
NOTE TO BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
June 30, 2014

A. Budget Basis of Accounting

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 yearend.

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.

**DILLON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS – OTHER
POSTEMPLOYMENT BENEFITS –DEFINED BENEFIT HEALTH CARE PLAN
For the Year Ended June 30, 2014**

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial liability accrued (AAL) (b)	Total unfunded actuarial liability accrued (UAAL) (b)-(a)	Actuarial value of assets as percentage of actuarial liability accrued (Funded Ratio) (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2012	7/1/2010	\$ -	\$ 2,175,486	\$ 2,175,486	0%	\$ 6,899,811	31.5%
2013	7/1/2012	\$ -	\$ 2,701,785	\$ 2,701,785	0%	\$ 7,197,170	37.6%
2014	7/1/2012	\$ -	\$ 2,701,785	\$ 2,701,785	0%	\$ 7,766,917	34.8%

See independent auditors' report and notes to financial statements

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed
2012	\$ 212,128	20,729	20.0%
2013	\$ 256,893	54,107	21.1%
2014	\$ 265,160	59,505	22.4%

See independent auditors' report and notes to financial statements

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SUPPLEMENTARY INFORMATION

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DILLON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds										Total
	Sheriff Discretionary Fund	Santee Cooper Grant Fund	Economic Development Fund	Accommodations Tax Fund	Clerk of Court Child Support Discretionary Fund	Federal Grants Fund	Trinity Behavioral Health Fund				
ASSETS											
Cash and cash equivalents	\$ 1,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807
Receivables, net of allowance for doubtful accounts	-	-	-	-	871	19,045	12,715	-	-	-	32,631
Due from other funds	571,600	4,040	-	78,719	151,796	-	-	-	-	-	806,155
Total assets	\$ 573,407	\$ 4,040	\$ -	\$ 78,719	\$ 152,667	\$ 19,045	\$ 12,715	\$ -	\$ -	\$ -	\$ 840,593

LIABILITIES AND FUND BALANCES (DEFICITS)

Liabilities:											
Accounts payable	\$ 1,958	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,958
Due to other funds	-	-	63,189	-	-	19,045	1,627	-	-	-	83,861
	1,958	-	63,189	-	-	19,045	1,627	-	-	-	85,819
Fund Balances (Deficits):											
Unassigned	-	-	(63,189)	-	-	-	-	-	-	-	(63,189)
Restricted for:											
Administration of justice	-	-	-	-	152,667	-	-	-	-	-	152,667
Public safety and law enforcement	571,449	-	-	-	-	-	-	-	-	-	571,449
Economic development	-	4,040	-	78,719	-	-	-	-	-	-	82,759
Social services, health, and welfare	-	-	-	-	-	-	11,088	-	-	-	11,088
Total fund balances (deficits)	571,449	4,040	(63,189)	78,719	152,667	19,045	11,088	-	-	-	754,774
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 573,407	\$ 4,040	\$ -	\$ 78,719	\$ 152,667	\$ 19,045	\$ 12,715	\$ -	\$ -	\$ -	\$ 840,593

DILLON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS) – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	Special Revenue Funds										Total
	Sheriff Discretionary Fund	Santee Cooper Grant Fund	Economic Development Fund	Accommodations Tax Fund	Clerk of Court Child Support Discretionary Fund	Federal Grants Fund	Trinity Behavioral Health Fund	Capital Projects Fund			
REVENUES											
Taxes - property	\$ -	\$ -	\$ 32,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,495
Intergovernmental revenue	-	-	-	70,326	28,848	19,045	114,089	-	-	-	232,308
Gifts and grants	-	5,803	-	-	-	-	-	-	-	-	5,803
Fines, fees, and forfeitures	31,621	-	-	-	-	-	-	-	-	-	31,621
Total revenues	31,621	5,803	32,495	70,326	28,848	19,045	114,089	-	-	-	302,227

EXPENDITURES

Current											
Administration of justice	-	-	-	-	12,712	-	-	-	-	-	12,712
Public safety and law enforcement	90,670	-	-	-	-	-	-	-	-	-	90,670
Economic development	-	-	-	19,796	-	-	-	-	-	-	19,796
Social services, health, and welfare	-	-	-	-	-	-	103,001	-	-	-	103,001
Capital outlay											
Public safety and law enforcement	19,634	-	-	-	-	19,045	-	-	-	-	38,679
Total expenditures	110,304	-	-	19,796	12,712	19,045	103,001	-	-	-	264,858

Excess (deficiency) of revenues over (under) expenditures

	(78,683)	5,803	32,495	50,530	16,136	-	11,088	-	-	-	37,369
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OTHER FINANCING SOURCES AND USES

Transfers out	-	-	-	-	-	-	-	(2,270,900)	-	(2,270,900)	(2,270,900)
Total other financing sources	-	-	-	-	-	-	-	(2,270,900)	-	(2,270,900)	(2,270,900)
Net change in fund balances	(78,683)	5,803	32,495	50,530	16,136	-	11,088	(2,270,900)	-	(2,233,531)	
Fund balances (deficits), beginning of year	650,132	(1,763)	(95,684)	28,189	136,531	-	-	2,270,900	-	2,988,305	
Fund balances (deficits), end of year	\$ 571,449	\$ 4,040	\$ (63,189)	\$ 78,719	\$ 152,667	\$ -	\$ 11,088	\$ -	\$ -	\$ 754,774	

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, 2014

	General Sessions Court	Magistrates Courts	Probate Court	Total
Fines and fees collected	\$ 184,072	\$ 427,361	\$ 9,600	\$ 621,033
Assessments collected	2,954	333,869	-	336,823
Surcharges collected	17,125	160,628	-	177,753
Fines and fees retained by County	(32,525)	(379,345)	-	(411,870)
Assessments retained by County	(1,279)	(35,472)	-	(36,751)
Surcharges retained by County	(10,185)	(11,260)	-	(21,445)
Fines and assessments remitted to State Treasurer	<u>\$ 160,162</u>	<u>\$ 495,781</u>	<u>\$ 9,600</u>	665,543
Fines and assessments payable to State Treasurer's Office on June 30, 2014				(49,620)
Fines and assessments payable to State Treasurer's Office on June 30, 2013				<u>56,590</u>
Fines and assessments paid to State Treasurer's Office during fiscal year ended June 30, 2014				<u>\$ 672,513</u>
Spent on victims' services:				
From assessments and surcharges				\$ 57,734
From other funds				-
				<u>\$ 57,734</u>

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REGULATORY SECTION

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**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the County Council
Dillon County, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise Dillon County, South Carolina's basic financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Webster Rogers LLP

Florence, South Carolina
December 5, 2014

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

To the County Council
Dillon County, South Carolina

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Webster Rogers LLP

Florence, South Carolina
December 5, 2014

DILLON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture Pass-through Programs From:			
South Carolina Department of Social Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	\$ 8,230
Total Department of Agriculture Programs			<u>8,230</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-ED-12-004	1,110,820
Total Department of Housing and Urban Development Programs			<u>1,110,820</u>
Department of Justice Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0628	19,045
Total Department of Justice Programs			<u>19,045</u>
Department of Health and Human Services Pass-through Programs From:			
South Carolina Department of Social Services			
Promoting Safe and Stable Families	93.556	N/A	88
Temporary Assistance for Needy Families	93.558	N/A	7,665
Child Support Enforcement	93.563	N/A	24
Child Support Enforcement	93.563	N/A	12,712
Child Support Enforcement	93.563	N/A	168,442
Child Support Enforcement	93.563	N/A	8,629
			<u>189,807</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	102
Stephanie Tubbs Jones Child Welfare Services Program	93.645	N/A	197
ARRA Foster Care Title IV-E	93.658	N/A	4,895
Social Services Block Grant	93.667	N/A	3,240
Medicaid Assistance Program	93.778	N/A	7,852
Total Department of Health and Human Services			<u>213,846</u>
Department of Homeland Security Pass-through Programs From:			
South Carolina Emergency Management Division			
Emergency Management Performance Grants	97.042	12EMPG01	6,764
Emergency Management Performance Grants	97.042	13EMPG01	47,956
Total Department of Homeland Security			<u>54,720</u>
Total Expenditures of Federal Awards			<u>\$ 1,406,661</u>

See notes to Schedule of Expenditure of Federal Awards

DILLON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

A. Basis of Presentation

Except as noted in the following paragraph, the accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes federal grant activity of the Dillon County under programs of the federal government for the year ended June 30, 2014. 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 the Sumter County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Dillon County.

Subsequent to year end, the Department of Homeland Security Federal Emergency Management Agency approved the County's application for reimbursement of expenses incurred because of ice storm clean up. The County's expense of \$113,937 will be reimbursed in accordance with Disaster Grants – Public Assistance (Presidentially Declared Disasters, CFDA No. 97.036. In accordance with rules promulgated by FEMA after Hurricane Sandy, this amount, while spent in fiscal 2014, will be reported on the County's fiscal 2015 Schedule of Expenditure of Federal Awards.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the 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 if applicable.

**DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ X	No
Reportable conditions identified that are not considered to be material weaknesses?	_____ Yes	_____ X	None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____ Yes	_____ X	No
Reportable conditions identified that are not considered to be material weaknesses?	_____ Yes	_____ X	None Reported

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	_____ X	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between type A and type B programs **\$300,000**

Auditee qualified as low-risk auditee?	_____ Yes	_____ X	No
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**DILLON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

None.

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