

DILLON COUNTY, SOUTH CAROLINA

Financial Statements with Independent Auditors' Report

For the Year Ending June 30, 2013

DILLON COUNTY, SOUTH CAROLINA
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the County Council
Dillon County, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina as of and for the year ended June 30, 2013, 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, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina as of June 30, 2013, 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 and budgetary comparison information as listed in the table of contents 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 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this 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 and individual nonmajor fund financial statements and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 January 24, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Columbia, South Carolina
January 24, 2014

Clark Eustace Wagner, PA

BASIC FINANCIAL STATEMENTS

DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 11,879,391
Investments	2,529,362
Receivables, net of allowance for doubtful accounts	2,742,034
Prepaid items	109,846
Due from other governmental entities	132,586
Inventories	40,173
Real estate held for resale	471,264
Capital assets not being depreciated	
Construction in progress	520,735
Land	1,312,259
Capital assets, net of accumulated depreciation	
Buildings and improvements	10,370,419
Heavy equipment and vehicles	2,372,613
Equipment and furnishings	349,799
Infrastructure	4,824,717
Total assets	<u>37,655,198</u>
 LIABILITIES	
Accounts payable	429,164
Accrued salaries and payroll withholdings	604,795
Accrued interest	14,664
Due to other governmental entities	248,845
Unearned revenue	536,133
Obligation for other postemployment benefits	854,689
Long-term liabilities:	
Due within one year	1,578,783
Due in more than one year	6,626,488
Total Liabilities	<u>10,893,561</u>
 NET POSITION	
Net investment in capital assets	15,707,528
Restricted for :	
Administration of justice	136,531
Public safety and law enforcement	664,905
Economic development	28,189
Culture and recreation	60,540
Debt service	1,757,093
Capital projects	2,270,900
Unrestricted	6,135,951
Total net position	<u><u>\$ 26,761,637</u></u>

The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
					Total Governmental Activities
Governmental activities:					
General government administration	\$ 3,895,097	\$ 103,224	\$ 49,673	\$ -	\$ (3,742,200)
Administration of justice	1,214,186	957,752	27,857	-	(228,577)
Public safety and law enforcement	8,903,560	2,481,315	392,058	-	(6,030,187)
Public works	2,247,431	967,276	1,088,301	-	(191,854)
Sanitation	2,456,939	2,343,104	14,746	-	(99,089)
Economic development	2,380,763	-	1,655,465	-	(725,298)
Social services, health, and welfare	236,958	7,979	33,620	-	(195,359)
Culture, recreation, and education	702,852	26,345	80,922	-	(595,585)
Interest on long-term debt	93,203	-	-	-	(93,203)
Total governmental activities	\$ 22,130,989	\$ 6,886,995	\$ 3,342,642	\$ -	(11,901,352)
General revenues					
Property taxes					7,883,040
Sales taxes					1,995,715
Franchise fees					51,340
Grants and contributions not restricted to specific programs					1,321,625
Unrestricted interest income					3,876
Loss on disposition of capital assets					(29,785)
Other					14,195
Total general revenues and transfers					11,240,006
Change in net position					(661,346)
Net position, beginning of year					27,422,983
Net position, end of year					\$ 26,761,637

The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,551,254	\$ 326,330	\$ 1,807	\$ 11,879,391
Investments	2,529,362	-	-	2,529,362
Receivables, net of allowance for doubtful accounts	2,643,978	-	98,056	2,742,034
Due from other funds	251,463	1,944,570	2,508,915	4,704,948
Inventories	40,173	-	-	40,173
Prepaid items	109,846	-	-	109,846
Real estate held for resale	471,264	-	-	471,264
Total assets	<u>\$ 17,597,340</u>	<u>\$ 2,270,900</u>	<u>\$ 2,608,778</u>	<u>\$ 22,477,018</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)				
Liabilities:				
Accounts payable	\$ 428,425	\$ -	\$ 739	\$ 429,164
Accrued salaries and payroll withholdings	604,795	-	-	604,795
Unearned revenue	536,133	-	-	536,133
Due to other funds	4,702,330	-	118,877	4,821,207
Total liabilities	<u>6,271,683</u>	<u>-</u>	<u>119,616</u>	<u>6,391,299</u>
Deferred inflows of resources:				
Deferred inflows from property taxes	315,834	-	43,502	359,336
Deferred inflows from accounts receivable	211,347	-	-	211,347
Total deferred inflows of resources	<u>527,181</u>	<u>-</u>	<u>43,502</u>	<u>570,683</u>
Fund Balances (Deficits):				
Nonspendable:				
Inventories, prepaid items, and real estate held for resale	621,283	-	-	621,283
Restricted for:				
Administration of justice	-	-	136,531	136,531
Public safety and law enforcement	14,773	-	650,132	664,905
Economic development	-	-	28,189	28,189
Culture and recreation	60,540	-	-	60,540
Debt service	-	-	1,728,255	1,728,255
Capital projects fund	-	2,270,900	-	2,270,900
Unassigned	10,101,880	-	(97,447)	10,004,433
Total fund balances (deficits)	<u>10,798,476</u>	<u>2,270,900</u>	<u>2,445,660</u>	<u>15,515,036</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 17,597,340</u>	<u>\$ 2,270,900</u>	<u>\$ 2,608,778</u>	
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				19,750,542
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds:				
Property taxes				359,336
Accounts receivable				211,347
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				(440,439)
Other post-employment benefits				(854,689)
Provision for landfill closure and post-closure costs				(3,721,818)
Accrued interest				(14,664)
Bonds and leases payable				(4,043,014)
Net position of governmental activities				<u>\$ 26,761,637</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, 2013

	General	Capital	Total	Total
	Fund	Projects	Nonmajor	Governmental
	Fund	Fund	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Taxes				
Property taxes	\$ 6,450,573	\$ -	\$ 1,394,475	\$ 7,845,048
Sales	1,995,715	-	-	1,995,715
Intergovernmental revenue	4,395,142	-	116,013	4,511,155
Gifts and grants	115,970	-	-	115,970
Licenses and permits	283,203	-	-	283,203
Charges for services	5,398,445	-	-	5,398,445
Fines, fees, and forfeitures	688,587	-	61,527	750,114
Interest income	3,876	-	-	3,876
Other	346,563	-	-	346,563
Total revenues	19,678,074	-	1,572,015	21,250,089
EXPENDITURES				
Current				
General government administration	3,236,517	-	-	3,236,517
Administration of justice	1,209,153	-	2,067	1,211,220
Public safety and law enforcement	7,947,114	-	128,604	8,075,718
Public works	1,768,664	1,000	-	1,769,664
Sanitation	2,331,649	-	-	2,331,649
Economic development	2,244,337	75,073	56,233	2,375,643
Social services, health, and welfare	225,810	8,100	-	233,910
Culture, recreation, and education	621,176	-	-	621,176
Debt Service				
Principal retirement	33,090	-	1,244,625	1,277,715
Interest	9,814	-	86,128	95,942
Capital Outlay				
General government administration	26,112	-	-	26,112
Administration of justice	171,215	-	-	171,215
Public safety and law enforcement	211,023	5,550	84,840	301,413
Public works	918,907	-	-	918,907
Sanitation	585,162	-	-	585,162
Economic development	39,869	-	-	39,869
Total expenditures	21,579,612	89,723	1,602,497	23,271,832
Excess (deficiency) of revenues over (under) expenditures	(1,901,538)	(89,723)	(30,482)	(2,021,743)
OTHER FINANCING SOURCES				
Issuance of debt	3,000,000	-	-	3,000,000
Total other financing sources	3,000,000	-	-	3,000,000
Net change in fund balances	1,098,462	(89,723)	(30,482)	978,257
Fund balances, beginning of year	9,700,014	2,360,623	2,476,142	14,536,779
Fund balances, end of year	\$ 10,798,476	\$ 2,270,900	\$ 2,445,660	\$ 15,515,036

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, 2013

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

Net change in fund balances -- total governmental funds (page 10) \$ 978,257

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital asset purchases expensed in governmental funds but capitalized by governmental activities	2,042,678
Depreciation expense reported in governmental activities	(2,004,848)

The net effect of transactions involving disposition (i.e., sales, trade-ins) of capital assets decreases net position (29,785)

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

Property taxes	37,992
Accounts receivable	211,347

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Repayment of long-term debt	1,277,715
Issuance of long-term debt	(3,000,000)

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	14,065
Provision for landfill closure and post-closure costs	11,280
Other post-employment benefits	(202,786)
Accrued interest	2,739

Change in net position of governmental activities (page 8)	\$ (661,346)
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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, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 15,931,857
Due from others	19,177
Due from other funds	248,845
Total assets	<u>\$ 16,199,879</u>
 LIABILITIES	
Due to Dillon County school districts	\$ 14,446,909
Due to other funds	132,586
Due to others	1,620,384
Total liabilities	<u>\$ 16,199,879</u>

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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 of 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 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.

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. Nonmajor funds, if any, are aggregated and presented in a single column.

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.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

The following are the County's major governmental funds:

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

Capital Projects Fund - used to account for the acquisition and construction of major capital facilities and to account for collection and distribution of the proceeds of a temporary local option capital projects sales tax which was enacted in 2003.

In addition the government reports the following non-major governmental fund types:

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the following: Federal Grants, Clerk of Court Discretionary Title IV D funds, the Sheriff's Drug Forfeiture, Accommodations Tax, Santee Cooper grant, and Economic Development Property Tax.

Debt Service Fund - accounts for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest

As discussed above, *fiduciary fund types* are used to report assets held by the County in a trustee or agency capacity. *Agency funds*, a subset of fiduciary funds, are used to account for situations where the government's role is merely custodial. Dillon County uses agency funds to account for taxes collected on behalf of other governments and for funds escrowed for their respective programs.

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. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the Statement of Net Position as receivable from and payable to external parties.

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.

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.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

Real Estate Held for Resale

Real estate held for resale is recorded at the lower of cost or its net realizable value.

Capital Assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and land improvements and 5 to 10 years for machinery, equipment, and vehicles.

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.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net 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. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 (expense/expenditure) until then. The government does not have any 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 a future period(s) and so will *not* be recognized as an inflow of resources (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 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.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position.

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

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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spendable form (e.g., inventories and prepaid items), 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 could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the year ended June 30, 2013, general fund expenditures exceeded appropriations by \$3,795,985. Revenue exceeding budgeted amounts by \$2,661,575 (primarily from unbudgeted grants from the federal and state governments) and issuance of \$3,000,000 of debt funded the over-expenditures.

B. Fund Deficits

At June 30, 2013, the Economic Development and Santee Cooper special revenue funds reported deficits of \$95,684 and \$1,763, respectively.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Investments

Cash Deposits

As of June 30, 2013, the carrying amount of the government's bank deposits (including certificates of deposit which are considered investments) was \$30,326,164 and the respective bank balances totaled \$30,608,340. Of the total bank

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
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balances, \$501,249 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$30,107,091 was collateralized with securities held by the financial institutions in the government's name.

Investments

The County invests funds in accordance with South Carolina law applicable to local government deposits and investments.

At year end, the County's investments consisted of bank certificates of deposit \$2,529,362 which matured in less than a year.

As of June 30, 2013, the County also maintained \$13,647 in the 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. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

Credit Risk

State law limits local government investments to (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 that would further limit its investment choices. As of year-end, the County's investment in the South Carolina Pooled Investment Fund was unrated.

Interest Rate Risk

The government has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuating interest rates.

B. Receivables, Deferred Revenue, and Unearned Revenue

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

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes				
Property	\$ 586,878	\$ -	\$ 88,146	\$ 675,024
Franchise and sales	41,274	-	-	41,274
Accounts	3,699,551	-	-	3,699,551
Intergovernmental	1,511,439	-	21,430	1,532,869
Other	8,222	-	-	8,222
Gross receivables	5,847,364	-	109,576	5,956,940
Less, allowance for uncollectibles	(3,203,386)	-	(11,520)	(3,214,906)
Net total receivables	\$ 2,643,978	\$ -	\$ 98,056	\$ 2,742,034

DILLON COUNTY, SOUTH CAROLINA
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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)	\$ 315,834	\$ -
Delinquent property taxes and fees receivable (debt service fund)	43,502	-
Accounts receivable	211,347	-
Unearned Local Option Sales Tax revenue (general fund)	-	409,398
Unearned grant revenue (general fund)	-	126,735
	\$ 570,683	\$ 536,133

C. Capital Assets

Capital asset activity for the County for the year ended June 30, 2013 was as follows:

	Beginning				Ending
	Balance	Increases	Decreases	Transfers	Balance
Governmental activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 188,099	\$ 520,735	\$ 29,785	\$ (158,314)	\$ 520,735
Land	1,300,259	12,000	-	-	1,312,259
Total capital assets not being depreciated	1,488,358	532,735	29,785	(158,314)	1,832,994
Capital assets being depreciated:					
Buildings and improvements	28,206,922	-	-	-	28,206,922
Heavy equipment and vehicles	6,857,156	1,232,440	-	-	8,089,596
Equipment and furnishings	4,838,180	41,809	-	-	4,879,989
Infrastructure	8,052,633	235,694	-	158,314	8,446,641
Total capital assets being depreciated	47,954,891	1,509,943	-	158,314	49,623,148
Less accumulated depreciation for:					
Buildings and improvements	17,115,598	720,905	-	-	17,836,503
Heavy equipment and vehicles	5,161,536	555,447	-	-	5,716,983
Equipment and furnishings	4,307,684	222,506	-	-	4,530,190
Infrastructure	3,115,934	505,990	-	-	3,621,924
Total accumulated depreciation	29,700,752	2,004,848	-	-	31,705,600
Total capital assets being depreciated, net	18,254,139	(494,905)	-	158,314	17,917,548
Governmental activities capital assets, net	\$ 19,742,497	\$ 37,830	\$ 29,785	\$ -	\$ 19,750,542

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

General government administration	\$ 478,676
Administration of justice	1,719
Public safety and law enforcement	833,459
Public works	466,289
Sanitation	138,349
Economic development	3,457
Social services	2,883
Culture and recreation	80,016
Total depreciation expense - governmental activities	\$ 2,004,848

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

D. Real Estate Held for Resale and Related Operating Lease Agreement

Real estate held for resale is leased to an industrial tenant through March 21, 2014 with a one year option 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 the agreed upon expansion of its 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.

E. Inter-fund Receivables and Payables

Inter-fund balances arise because the County Treasurer utilizes a cash pool to maximize earnings. Inter-fund balances at June 30, 2013 were:

Receivable Fund	Payable Fund	Amount
Capital Projects	General Fund	\$ 1,944,570
Debt Service	General Fund	1,695,131
Sheriff Discretionary	General Fund	649,064
Accommodations Tax	General Fund	28,189
Clerk of Court Child Support Discretionary	General Fund	136,531
Fiduciary	General Fund	248,845
General Fund	Fiduciary	132,586
General Fund	Santee Cooper Grant	1,763
General Fund	Economic Development	95,684
General Fund	Federal Grant Fund	21,430
		<u>\$ 4,953,793</u>

F. Long-term Debt

General Obligation Bonds Payable. The County has issued general obligation bonds to provide for construction and purchase of capital assets. General obligation bonds have been issued only for general government activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding as of June 30, 2013 are as follows:

General obligation bond, Series 2009, payable in annual installments varying from \$64,874 to \$73,886, including interest at 4.25%, maturing April 2017	\$ 597,500
1.5 million general obligation bond, Series 2012A, payable in annual installments varying from \$221,550 to \$234,071, including interest at 1.77%, maturing April 2020	1,500,000
\$1.5 million general obligation bond, Series 2013, payable in annual installments varying from \$756,375 to \$759,851, including interest at .085%, maturing April 2015	1,500,000
	<u>\$ 3,597,500</u>

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, 2013 was as follows:

DILLON COUNTY, SOUTH CAROLINA
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Special source revenue bond, Series 2007, payable in annual installments varying from \$78,803 to \$93,460, including interest at 3.74%, from net fee payments in lieu of taxes derived from Multi-County Industrial Park in excess of amounts not otherwise pledged to secure general obligation debt, maturing April 2015

\$	155,000
\$	155,000

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

	Governmental Activities
Asset:	
Heavy equipment	\$ 371,310
Less: accumulated depreciation	(99,350)
Total	\$ 271,960

Amortization expense on capital leases is included in depreciation expense.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were:

	Governmental Activities
Year Ending June 30,	
2014	\$ 42,904
2015	42,904
2016	225,028
Thereafter	-
Total minimum lease payments	310,836
Less: amount representing interest	(20,322)
Present value of minimum lease payments	\$ 290,514

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

Year Ending June 30,	General Obligation Bonds		Special Source Revenue Bond		Capital Leases		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 1,080,625	\$ 61,795	\$ 79,000	\$ 5,718	\$ 34,158	\$ 8,746	\$ 1,193,783	\$ 76,259	\$ 1,270,042
2015	1,100,625	49,104	76,000	2,803	35,260	7,644	1,211,885	59,551	1,271,436
2016	365,625	32,911	-	-	221,096	3,932	586,721	36,843	623,564
2017	375,625	22,580	-	-	-	-	375,625	22,580	398,205
2018	220,000	11,948	-	-	-	-	220,000	11,948	231,948
2019-2020	455,000	12,125	-	-	-	-	455,000	12,125	467,125
Thereafter	-	-	-	-	-	-	-	-	-
Total	\$ 3,597,500	\$ 190,463	\$ 155,000	\$ 8,521	\$ 290,514	\$ 20,322	\$ 4,043,014	\$ 219,306	\$ 4,262,320

DILLON COUNTY, SOUTH CAROLINA
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June 30, 2013

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 year 1996. The County closed its industrial waste landfill in fiscal year 2009. The County continues to operate its C&D landfill which it estimates is at 50% of capacity which will allow it to operate for an additional three to five years. When the existing cell is at capacity, the County will open an additional cell which is expected to have a ten year life.

Although closure and post closure care costs are paid only near or after the date that landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,721,818 reported as the accrual for landfill closure and post-closure costs at June 30, 2013 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	\$ -	\$ 808,098	\$ 808,098	\$ -
Industrial Waste	Closed	-	1,639,720	1,639,720	-
C&D	50%	416,000	858,000	1,274,000	1,176,000
Totals		\$ 416,000	\$ 3,305,818	\$ 3,721,818	\$ 1,176,000

These amounts are based on what it would cost to perform all closure and post-closure care in fiscal year 2013 and are based on engineering estimates subject to change due to inflation, deflation, technology, and/or applicable laws and regulations. The County anticipates that available resources will be the primary source of funds to pay the cost of closure and post-closure care. During fiscal 2013, the County expended \$60,280 in landfill closure and post-closure costs.

Changes in long-term liabilities. Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning	Additions	Reductions	Ending	Due Within
	Balance			Balance	One Year
Governmental activities:					
General obligation bonds	\$ 1,763,125	\$ 3,000,000	\$ 1,165,625	\$ 3,597,500	\$ 1,080,625
Special source revenue bond	234,000	-	79,000	155,000	79,000
Capital leases	323,604	-	33,090	290,514	34,158
Compensated absences	454,504	330,886	344,951	440,439	285,000
Provision for landfill closure and post-closure costs	3,733,098	49,000	60,280	3,721,818	100,000
Governmental activity long-term liabilities	\$ 6,508,331	\$ 3,379,886	\$ 1,682,946	\$ 8,205,271	\$ 1,578,783

IV. OTHER INFORMATION

A. Risk Management

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

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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

B. Pension Plan

County employees participate in either the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS), depending on their particular duties. The SCRS is a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. The PORS is a cost-sharing multiple employer defined benefit public employee retirement system. SCRS and PORS provide retirement and disability benefits, cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions for SCRS are established pursuant to Section 9-1-20 of the 1976 South Carolina Code of Laws. Benefit provisions for PORS are established pursuant to Section 9-11-20 of the Code. The PEBA's publicly available stand-alone Comprehensive Annual Financial Report may be obtained by writing to South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211.

SCRS and PORS members are required to contribute 7% of their annual covered salaries, and the County is required to contribute at an actuarially determined rate. The current actuarially determined rates are 10.45% for the SCRS and 11.9% for the PORS. The contribution requirements of the plan members and the County are established and may be amended by the South Carolina General Assembly.

The County's contributions (which equaled required contributions) to the SCRS for fiscal 2011 through 2013 were as follows:

	<u>SCRS</u>	<u>PORS</u>
2013	\$ 482,118	\$ 325,151
2012	428,024	304,316
2011	443,800	291,974

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 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 be on 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.

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

As of June 30, 2012, the measurement date for the plan year, there were 244 covered participants; 19 members were retirees receiving benefits and 225 were active participants.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Funding Policy and Annual OPEB Cost and Net OPEB Obligation

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 2013, the County paid \$42,418 (approximately 49% of the total premiums) to cover current premiums for plan participants. Plan members receiving benefits contributed \$44,711, or approximately 51% of the total premiums, through their required contributions.

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

Annual required contribution (ARC) for current year:	\$	254,736
Interest on unfunded OPEB obligation		29,336
Adjustment to ARC		<u>(27,179)</u>
Annual OPEB cost (expense)		256,893
Less: actual contributions		<u>(54,107)</u>
Increase in net OPEB obligation		202,786
Net liability for OPEB, beginning of year		<u>651,903</u>
Net liability for OPEB, end of year	\$	<u><u>854,689</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years was as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 167,097	12.4%	\$ 482,193
2012	\$ 212,128	20.0%	\$ 651,903
2013	\$ 256,893	21.1%	\$ 854,689

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:	\$	7,191,770
UAAL as a percentage of covered payroll:		37.6%

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

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB 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 were as follows:

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:	Initial rate of 7.25% declining to an ultimate rate of 4.5% after 11 years
Drug trend:	Initial rate of 7.75% declining to an ultimate rate of 4.5% after 11 years

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. Joint Venture

Dillon County is a participant in a joint venture with Marion and Marlboro Counties to develop an industrial park located in Dillon County. The three counties originally invested \$250,000 each to provide infrastructure to the park. Additional funding for the park is coming from state grants and contributions from businesses. Once the park is operating, the three counties will split equally all new tax revenues and expenses from the park for 20 years. The park has been granted exempt status under Internal Revenue Code Section 501(c)(3). Audited financial statements for the park can be obtained from the County's economic development office.

F. Construction Commitments

At year end, the County had one outstanding construction contract on which the only remaining obligation was retainage payable of \$16,041.

G. Contingent Liabilities

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

DILLON COUNTY, SOUTH CAROLINA
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June 30, 2013

H. Restatement of Prior Year Net Position

As of July 1, 2012, the County implemented Statement No. 62 *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65). Implementation of GASB 62 and GASB 65 did not have any financial reporting impact on the City for fiscal year ended June 30, 2013. Implementation of GASB 63 required the reclassification of Net Assets to Net Position and it also required reclassification of deferred outflows and deferred inflows into new categories called Deferred Outflows of Resources and Deferred Inflows of Resources. As a result of implementing GASB 65, revenues previously recorded as deferred revenue in governmental funds until both measurable and available are reported as deferred inflows of resources on the funds financial statements until such time the revenue becomes available.

I. Subsequent Events

Management has evaluated subsequent events through January 24, 2014 the date the financial statements were available to be issued.

Subsequent to June 30, 2013, the County entered into a construction contract for \$3,863,210 to construct a judicial center. Also subsequent to June 30, 2013, the County entered into an agreement to purchase, at completion of its construction, an industrial building for \$2,500,000.

REQUIRED SUPPLEMENTARY INFORMATION

DILLON COUNTY, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
REVENUES				
Property taxes and vehicle fees	\$ 6,391,200	\$ 6,391,200	\$ 6,450,573	\$ 59,373
Sales taxes	1,892,302	1,892,302	1,995,715	103,413
Intergovernmental revenue	1,991,229	1,991,229	4,395,142	2,403,913
Gifts and grants	-	-	115,970	115,970
Licenses and permits	277,200	277,200	283,203	6,003
Charges for services	5,453,568	5,453,568	5,398,445	(55,123)
Fines, fees, and forfeitures	766,000	766,000	688,587	(77,413)
Interest income	40,000	40,000	3,876	(36,124)
Other	205,000	205,000	346,563	141,563
Total revenues	17,016,499	17,016,499	19,678,074	2,661,575
EXPENDITURES				
General government administration:				
Assessor	366,422	366,422	349,773	(16,649)
Audit	44,000	44,000	47,475	3,475
Auditor	100,221	100,221	96,840	(3,381)
City/County building	40,000	40,000	55,538	15,538
Code enforcement/building inspection	145,533	145,533	146,290	757
Computer services/information technology	291,760	291,760	370,437	78,677
County attorney	60,560	60,560	63,310	2,750
County council	620,146	620,146	814,910	194,764
Delegation contingencies	20,000	20,000	20,237	237
Election/Registration	53,515	53,515	47,955	(5,560)
Insurance	650,000	650,000	292,332	(357,668)
Public building maintenance	417,097	417,097	326,611	(90,486)
Purchasing and finance	110,700	110,700	87,901	(22,799)
Registration Board	98,186	98,186	95,677	(2,509)
Retirees health insurance	40,000	40,000	54,107	14,107
Treasurer	377,230	377,230	350,901	(26,329)
Miscellaneous	83,344	83,344	16,223	(67,121)
	3,518,714	3,518,714	3,236,517	(282,197)
Administration of Justice:				
Clerk of court	502,360	502,360	476,470	(25,890)
Judge expenses	18,500	18,500	21,893	3,393
Jurors	37,000	37,000	29,914	(7,086)
Law Library	-	-	19,677	19,677
Magistrates	367,905	367,905	350,595	(17,310)
Solicitor	90,000	90,000	90,000	-
Public Defender	54,000	54,000	54,000	-
Probate judge	184,520	184,520	166,604	(17,916)
	1,254,285	1,254,285	1,209,153	(45,132)

continued

DILLON COUNTY, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Public Safety and Law Enforcement:				
Ambulance service	1,124,403	1,124,403	1,183,149	58,746
Animal/litter control	155,720	155,720	197,601	41,881
Coroner	98,561	98,561	115,928	17,367
Detention Center	2,476,281	2,476,281	2,396,264	(80,017)
Disaster preparedness	80,630	80,630	83,409	2,779
E911 Service	820,858	820,858	847,679	26,821
Fire Department - #5	97,824	97,824	115,458	17,634
Fire Department - Latta	172,610	172,610	110,270	(62,340)
Fire Department - Dillon	204,505	204,505	154,616	(49,889)
Fire Department - Gaddy's	174,170	174,170	179,030	4,860
Fire Department - Lake View	163,600	163,600	123,694	(39,906)
Fire Department - Oak Grove	78,326	78,326	85,798	7,472
Rescue squad	45,000	45,000	38,103	(6,897)
Rural fire	37,500	37,500	41,000	3,500
Sheriff	2,096,999	2,096,999	2,221,854	124,855
Victims assistance	74,160	74,160	53,261	(20,899)
	<u>7,901,147</u>	<u>7,901,147</u>	<u>7,947,114</u>	<u>45,967</u>
Public Works:				
Airport maintenance	8,500	8,500	18,757	10,257
Regional airport authority	19,237	19,237	19,237	-
Roads and bridges	1,129,456	1,129,456	1,707,101	577,645
Street lights	10,378	10,378	11,994	1,616
Transportation Committee/C Funds	10,000	10,000	11,575	1,575
	<u>1,177,571</u>	<u>1,177,571</u>	<u>1,768,664</u>	<u>591,093</u>
Sanitation:				
Convenience sites	318,571	318,571	396,239	77,668
Recycling Center	10,800	10,800	28	(10,772)
Transfer station	1,588,031	1,588,031	1,910,571	322,540
Waste tire disposal	40,000	40,000	24,811	(15,189)
	<u>1,957,402</u>	<u>1,957,402</u>	<u>2,331,649</u>	<u>374,247</u>
Economic Development:				
Clemson Extension Service	3,000	3,000	3,000	-
Development Board	136,660	136,660	127,127	(9,533)
Little Pee Dee River Commission	5,000	5,000	5,167	167
Northeastern Technical College	114,000	114,000	114,000	-
Pee Dee Coalition	900	900	900	-
Pee Dee Regional Council of Governments	18,434	18,434	19,237	803
Pee Dee Regional Transportation Authority	3,000	3,000	3,000	-
Soil Conservation Service	28,300	28,300	25,807	(2,493)
Economic development projects and certifications	443,303	443,303	1,946,099	1,502,796
	<u>752,597</u>	<u>752,597</u>	<u>2,244,337</u>	<u>1,491,740</u>

continued

DILLON COUNTY, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Social Services, Health, and Welfare:				
Alcohol and Drug Abuse	7,000	7,000	7,404	404
Council on Aging	38,410	38,410	36,131	(2,279)
Department of Social Services	32,000	32,000	32,073	73
Health Department	26,527	26,527	26,327	(200)
Indigent medical care and pauper burials	66,000	66,000	48,329	(17,671)
Veteran Affairs	76,573	76,573	75,546	(1,027)
	246,510	246,510	225,810	(20,700)
Culture and Recreation:				
Library	443,886	443,886	446,866	2,980
Recreation	147,537	147,537	174,310	26,773
	591,423	591,423	621,176	29,753
Debt Service:				
Principal retirement	36,163	36,163	33,090	(3,073)
Interest	9,814	9,814	9,814	-
	45,977	45,977	42,904	(3,073)
Capital Outlay:				
General government administration	30,000	30,000	26,112	(3,888)
Administration of justice	-	-	171,215	171,215
Public safety and law enforcement	237,000	237,000	211,023	(25,977)
Public works	21,000	21,000	918,907	897,907
Sanitation	50,000	50,000	585,162	535,162
Economic development	-	-	39,869	39,869
	338,000	338,000	1,952,288	1,614,288
Total expenditures	17,783,626	17,783,626	21,579,612	3,795,986
Excess (deficiency) of revenues over (under) expenditures	(767,127)	(767,127)	(1,901,538)	(1,134,411)
OTHER FINANCING SOURCES				
Issuance of debt	-	-	3,000,000	3,000,000
Total other financing sources	-	-	3,000,000	3,000,000
Net change in fund balance	(767,127)	(767,127)	1,098,462	1,865,589
Fund balance, beginning of year	9,700,014	9,700,014	9,700,014	-
Fund balance, end of year	\$ 8,932,887	\$ 8,932,887	\$ 10,798,476	\$ 1,865,589

See independent auditors' report and note to required supplementary information

DILLON COUNTY, SOUTH CAROLINA
NOTE TO BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2013

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 year end.

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

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

**DILLON COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS – OTHER
POSTEMPLOYMENT BENEFITS –DEFINED BENEFIT HEALTH CARE PLAN
For the Year Ended June 30, 2013**

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial accrued liability (AAL) (b)	Total unfunded actuarial liability (UAAL) (b)-(a)	Actuarial value of assets as percentage of actuarial accrued liability (Funded Ratio) (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2011	7/1/2010	\$ -	\$ 2,175,486	\$ 2,175,486	0%	\$ 6,804,655	32.0%
2012	7/1/2010	\$ -	\$ 2,175,486	\$ 2,175,486	0%	\$ 6,899,811	31.5%
2013	6/30/2012	\$ -	\$ 2,701,785	\$ 2,701,785	0%	\$ 7,191,770	37.6%

See independent auditors' report and notes to financial statements and note to required supplementary information – schedule of funding progress and employer contributions – other postemployment benefits – defined benefit health care plan

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS – DEFINED BENEFIT HEALTH CARE PLAN
For the Year Ended June 30, 2013**

The most recent valuation of the County's plan is based on plan benefits in effect as of June 30, 2012. The previous valuation was based on information as of July 1, 2010. The 2012 valuation updated the projected participation rate of future employees, increased the projected number of retirees who will participate, changed demographic assumptions regarding retirement, termination, death, etc., to match those used as of June 30, 2012 by the South Carolina Retirement Systems, reset trend rates to better reflect anticipated experience of the health plan, and adjusted for amendments to the plan which require retirees who are eligible for Medicare to enroll in Medicare and provide a maximum subsidy of \$200 to Medicare retirees who elect coverage under a separate County sponsored Medicare Supplement plan.

SUPPLEMENTARY INFORMATION

**DILLON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

	Special Revenue Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,807	\$ -	\$ 1,807
Receivables, net of allowance for doubtful accounts	21,430	76,626	98,056
Due from other funds	813,784	1,695,131	2,508,915
Total assets	<u>\$ 837,021</u>	<u>\$ 1,771,757</u>	<u>\$ 2,608,778</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)			
Liabilities:			
Accounts payable	\$ 739	\$ -	\$ 739
Due to other funds	118,877	-	118,877
Total liabilities	<u>119,616</u>	<u>-</u>	<u>119,616</u>
Deferred inflows of resources:			
Deferred inflows from property taxes	-	43,502	43,502
Total deferred inflows of resources	<u>-</u>	<u>43,502</u>	<u>43,502</u>
Fund balances (deficits):			
Unassigned	(95,684)	-	(95,684)
Restricted for:			
Administration of justice	136,531	-	136,531
Public safety and law enforcement	650,132	-	650,132
Economic development	26,426	-	26,426
Debt service	-	1,728,255	1,728,255
Total fund balances	<u>717,405</u>	<u>1,728,255</u>	<u>2,445,660</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 837,021</u>	<u>\$ 1,771,757</u>	<u>\$ 2,608,778</u>

DILLON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Special Revenue Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	\$ 32,509	\$ 1,361,966	\$ 1,394,475
Intergovernmental revenue	116,013	-	116,013
Fines, fees, and forfeitures	61,527	-	61,527
Total revenues	<u>210,049</u>	<u>1,361,966</u>	<u>1,572,015</u>
EXPENDITURES			
Current			
Administration of justice	2,067	-	2,067
Public safety and law enforcement	128,604	-	128,604
Economic development	56,233	-	56,233
Debt Service			
Principal retirement	-	1,244,625	1,244,625
Interest	-	86,128	86,128
Capital Outlay			
Public safety and law enforcement	84,840	-	84,840
Total expenditures	<u>271,744</u>	<u>1,330,753</u>	<u>1,602,497</u>
Net change in fund balances	(61,695)	31,213	(30,482)
Fund balances, beginning of year	<u>779,100</u>	<u>1,697,042</u>	<u>2,476,142</u>
Fund balances, end of year	<u>\$ 717,405</u>	<u>\$ 1,728,255</u>	<u>\$ 2,445,660</u>

DILLON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
June 30, 2013

	Sheriff Discretionary Fund	Santee Cooper Grant Fund	Economic Development Fund	Accommodations Tax Fund	Clerk of Court Child Support Discretionary Fund	Federal Grants	Total
ASSETS							
Cash and cash equivalents	\$ 1,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807
Receivables, net of allowance for doubtful accounts	-	-	-	-	-	21,430	21,430
Due from other funds	649,064	-	-	28,189	136,531	-	813,784
Total assets	<u>\$ 650,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,189</u>	<u>\$ 136,531</u>	<u>\$21,430</u>	<u>\$ 837,021</u>
LIABILITIES AND FUND BALANCES (DEFICITS)							
Liabilities:							
Accounts payable	\$ 739	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 739
Due to other funds	-	1,763	95,684	-	-	21,430	118,877
	<u>739</u>	<u>1,763</u>	<u>95,684</u>	<u>-</u>	<u>-</u>	<u>21,430</u>	<u>119,616</u>
Fund balances (Deficits)							
Unassigned	-	-	(95,684)	-	-	-	(95,684)
Restricted for:							
Administration of justice	-	-	-	-	136,531	-	136,531
Public safety and law enforcement	650,132	-	-	-	-	-	650,132
Economic development	-	(1,763)	-	28,189	-	-	26,426
Total fund balances (deficits)	<u>650,132</u>	<u>(1,763)</u>	<u>(95,684)</u>	<u>28,189</u>	<u>136,531</u>	<u>-</u>	<u>717,405</u>
Total liabilities and fund balances (deficits)	<u>\$ 650,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,189</u>	<u>\$ 136,531</u>	<u>\$21,430</u>	<u>\$ 837,021</u>

DILLON COUNTY, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (DEFICIT) – SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	Sheriff Discretionary Fund	Santee Cooper Grant Fund	Economic Development Fund	Accommodations Tax Fund	Clerk of Court Child Support Discretionary Fund	Federal Grants	Total
REVENUES							
Taxes - property	\$ -	\$ -	\$ 32,509	\$ -	\$ -	\$ -	\$ 32,509
Intergovernmental revenue	-	-	-	66,726	27,857	21,430	116,013
Fines and forfeits	61,527	-	-	-	-	-	61,527
Total revenues	61,527	-	32,509	66,726	27,857	21,430	210,049
EXPENDITURES							
Current							
Administration of justice	-	-	-	-	2,067	-	2,067
Public safety and law enforcement	107,174	-	-	-	-	21,430	128,604
Economic development	-	3,000	-	53,233	-	-	56,233
Capital outlay							
Public safety and law enforcement	84,840	-	-	-	-	-	84,840
Total expenditures	192,014	3,000	-	53,233	2,067	21,430	271,744
Net change in fund balances	(130,487)	(3,000)	32,509	13,493	25,790	-	(61,695)
Fund balances (deficits), beginning of year	780,619	1,237	(128,193)	14,696	110,741	-	779,100
Fund balances (deficits), end of year	\$ 650,132	\$ (1,763)	\$ (95,684)	\$ 28,189	\$ 136,531	\$ -	\$ 717,405

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, 2013

	General Sessions Court	Magistrates Courts	Probate Court	Total
Fines and fees collected	\$ 383,541	\$ 455,851	\$ 10,020	\$ 849,412
Assessments collected	3,905	350,173	-	354,078
Surcharges collected	15,390	174,248	-	189,638
Fines and fees retained by County	(218,261)	(409,264)	-	(627,525)
Assessments retained by County	(1,871)	(37,036)	-	(38,907)
Surcharges retained by County	(9,849)	(12,046)	-	(21,895)
Fines and assessments remitted to State Treasurer	<u>\$ 172,855</u>	<u>\$ 521,926</u>	<u>\$ 10,020</u>	704,801
Fines and assessments payable to State Treasurer's Office on June 30, 2013				(56,590)
Fines and assessments payable to State Treasurer's Office on June 30, 2012				<u>72,631</u>
Fines and assessments paid to State Treasurer's Office during fiscal year ended June 30, 2013				<u>\$ 720,842</u>
Spent on victims' services:				
From assessments and surcharges				\$ 53,261
From other funds				-
				<u>\$ 53,261</u>

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF LIBRARY REVENUES AND EXPENDITURES BY SOURCE OF FUNDS –
REQUESTED BY THE STATE LIBRARY
For the Year Ended June 30, 2013

Source of Funds	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Local sources				
County funds	\$ -	\$ 389,004	\$ 389,004	\$ -
Fees and fines	12,924	11,734	-	24,658
E-rate funds	11,466	10,945	-	22,411
American Dream grant	995	-	-	995
Interest	29	-	-	29
Gifts and donations	250	1,000	-	1,250
Total local sources	<u>25,664</u>	<u>412,683</u>	<u>389,004</u>	<u>49,343</u>
State sources				
State aid	-	68,197	57,000	11,197
Total state sources	<u>-</u>	<u>68,197</u>	<u>57,000</u>	<u>11,197</u>
Federal Sources				
Grants to States (CFDA No. 45.310)	-	780	780	-
Total federal sources	<u>-</u>	<u>780</u>	<u>780</u>	<u>-</u>
Total all sources	<u>\$ 25,664</u>	<u>\$ 481,660</u>	<u>\$ 446,784</u>	<u>\$ 60,540</u>

REGULATORY SECTION



**INDEPENDENT AUDITOR'S 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, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise County's basic financial statements, and have issued our report thereon dated January 24, 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.

Columbia, South Carolina
January 24, 2014

Clark Eustace Wagner, PA

DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

A. FINANCIAL STATEMENT REVIEW

No matters noted.

B. COMPLIANCE REVIEW

No matters noted.

DILLON COUNTY, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR FINDINGS
June 30, 2013

FS2012-01 Lack of Adequate Internal Control

Status: Resolved. Management has taken additional steps to strengthen internal controls. Various duties have been reassigned to existing and new staff. While there are still opportunities for strengthening internal controls, management has made adequate adjustments to resolve the previously reported finding.

FS2012-02 Lack of Adequate Controls over Payroll and Accounts Payable Processing

Status: Resolved. Management has taken additional steps to strengthen internal controls. Various duties have been reassigned to existing and new staff. While there are still opportunities for strengthening internal controls, management has made adequate adjustments to resolve the previously reported finding.