

DILLON COUNTY,
SOUTH CAROLINA

**Financial Statements with
Independent Auditors' Report**

For the Year Ending June 30, 2015

**DILLON COUNTY, SOUTH CAROLINA
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Year Ended June 30, 2015**

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FINANCIAL SECTION

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, 2015, 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, 2015, 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.

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Change in Accounting Principle

As discussed in the footnotes to the financial statements, in 2015 the County adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter

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, historical postemployment benefit information, schedule of the proportionate share of the net position liability and the schedule of contributions 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 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, historical postemployment benefit information, schedule of the proportionate share of the net position liability and the schedule of contributions have been presented on pages 35 - 41, 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 January 14, 2016, 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
January 14, 2016

BASIC FINANCIAL STATEMENTS

DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2015

	Primary <u>Government</u>	Component <u>Unit</u>
	Governmental <u>Activities</u>	Library <u>Library</u>
ASSETS		
Cash and cash equivalents	\$ 8,519,510	\$ 11,279
Investments	-	26,500
Receivables, net of allowance for doubtful accounts	3,363,039	-
Prepays	82,014	-
Due from other funds	201,757	-
Due from primary government	-	45,758
Inventories	49,334	-
Capital assets		
Nondepreciable	2,122,286	-
Depreciable, net of accumulated depreciation	<u>21,036,558</u>	<u>225,329</u>
Total assets	<u>35,374,498</u>	<u>308,866</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension expense	<u>1,317,975</u>	-
Total deferred outflows	<u>1,317,975</u>	-
LIABILITIES		
Accounts payable	580,477	9,875
Accrued salaries and payroll withholdings	442,221	-
Accrued interest	29,404	-
Due to other funds	264,170	-
Due to component unit	45,758	-
Unearned revenue	355,044	-
Obligation for other postemployment benefits	1,218,222	-
Pension liability, net	13,975,147	-
Long-term liabilities:		
Due within one year	1,951,708	-
Due in more than one year	<u>7,325,950</u>	-
Total Liabilities	<u>26,188,101</u>	<u>9,875</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension expense	<u>1,313,423</u>	-
Total deferred inflows	<u>1,313,423</u>	-
NET POSITION		
Net investment in capital assets	17,399,946	225,329
Restricted for :		
Administration of justice	181,751	-
Public safety and law enforcement	549,552	-
Economic development	55,937	-
Social services, health and welfare	16,138	-
Culture and recreation	-	73,662
Debt service	1,829,111	-
Unrestricted	<u>(10,841,486)</u>	-
Total net position	<u>\$ 9,190,949</u>	<u>\$ 298,991</u>

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

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	\$ 4,061,740	\$ 143,696	\$ 51,718	\$ -	\$ (3,866,326)	\$ -
Administration of justice	1,259,074	710,146	171,481	-	(377,447)	-
Public safety and law enforcement	9,537,346	2,567,578	313,116	18,531	(6,638,121)	-
Public works	1,592,213	964,615	269,103	-	(358,495)	-
Sanitation	1,302,791	2,790,518	3,942	-	1,491,669	-
Economic development	6,773,254	-	3,037,103	-	(3,736,151)	-
Social services, health, and welfare	384,194	-	152,389	-	(231,805)	-
Culture, recreation, and education	698,051	26,336	-	-	(671,715)	-
Interest on long-term debt	115,905	-	-	-	(115,905)	-
Total primary government	\$ 25,724,568	\$ 7,202,889	\$ 3,998,852	\$ 18,531	\$ (14,504,296)	\$ -
Component Unit:						
Dillon County Library	\$ 484,333	\$ -	\$ 411,933	\$ 70,000		\$ (2,400)
General revenues						
Property taxes					7,833,047	-
Sales taxes					2,152,567	-
Franchise fees and permits					61,935	-
Grants and contributions not restricted to specific programs					1,301,284	-
Unrestricted interest income					1,734	36
Other					57,600	-
Total general revenues and transfers					11,408,167	(2,364)
Change in net position					(3,096,129)	(2,364)
Net position, beginning of year, restated					12,287,078	301,355
Net position, end of year					\$ 9,190,949	\$ 298,991

The accompanying notes are an integral part of these statements.

DILLON COUNTY, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,517,703	\$ -	\$ 1,807	\$ 8,519,510
Receivables, net of allowance for doubtful accounts	3,191,157	77,600	94,282	3,363,039
Inventories	49,334	-	-	49,334
Prepays	82,014	-	-	82,014
Due from other funds	307,031	1,771,130	785,602	2,863,763
Total assets	<u>\$ 12,147,239</u>	<u>\$ 1,848,730</u>	<u>\$ 881,691</u>	<u>\$ 14,877,660</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 579,067	\$ -	\$ 1,410	\$ 580,477
Accrued salaries and payroll withholdings	442,221	-	-	442,221
Accrued interest	-	29,383	-	29,383
Unearned revenue	355,044	-	-	355,044
Due to component unit	45,758	-	-	45,758
Due to other funds	2,820,902	-	105,274	2,926,176
Total liabilities	<u>4,242,992</u>	<u>29,383</u>	<u>106,684</u>	<u>4,379,059</u>
Deferred inflows of resources:				
Deferred inflows from property taxes	370,651	61,134	-	431,785
Deferred inflows from accounts receivable	596,242	-	75,430	671,672
Total deferred inflows of resources	<u>966,893</u>	<u>61,134</u>	<u>75,430</u>	<u>1,103,457</u>
Fund Balances (Deficits):				
Nonspendable:				
Inventories and prepaids	131,348	-	-	131,348
Restricted for:				
Administration of justice	-	-	181,751	181,751
Public safety and law enforcement	-	-	549,552	549,552
Economic development	-	-	55,937	55,937
Social services, health, and welfare	-	-	16,138	16,138
Debt service	-	1,758,213	-	1,758,213
Unassigned	6,806,006	-	(103,801)	6,702,205
Total fund balances (deficits)	<u>6,937,354</u>	<u>1,758,213</u>	<u>699,577</u>	<u>9,395,144</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 12,147,239</u>	<u>\$ 1,848,730</u>	<u>\$ 881,691</u>	<u>\$ 14,877,660</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, 2015

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	\$ 9,395,144
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	23,158,844
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Property taxes	431,785
Accounts receivable	671,672
Deferred inflows of resources for pension expense	1,317,975
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	(509,760)
Other post-employment benefits	(1,218,222)
Net pension liability	(13,975,147)
Provision for landfill closure and post-closure costs	(2,109,000)
Accrued interest	(21)
Bonds and leases payable	(6,658,898)
Deferred inflows of resources for pension expense	(1,313,423)
Net position of governmental activities	\$ 9,190,949

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, 2015

	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Property taxes and vehicle and fire fees	\$ 7,611,469	\$ 1,391,773	\$ 34,817	\$ 9,038,059
Sales	2,152,567	-	-	2,152,567
Intergovernmental revenue	4,617,040	-	395,886	5,012,926
Gifts and grants	330,000	-	7,900	337,900
Licenses and permits	202,441	-	92,512	294,953
Charges for services	4,530,656	-	-	4,530,656
Fines, fees, and forfeitures	635,343	-	136,573	771,916
Interest income	1,734	-	-	1,734
Other	57,598	-	-	57,598
Total revenues	20,138,848	1,391,773	667,688	22,198,309
EXPENDITURES				
Current				
General government administration	3,461,474	-	-	3,461,474
Administration of justice	1,233,138	-	6,402	1,239,540
Public safety and law enforcement	8,395,683	-	391,306	8,786,989
Public works	1,136,058	-	-	1,136,058
Sanitation	2,323,946	-	-	2,323,946
Economic development	4,097,021	-	103,652	4,200,673
Social services, health, and welfare	269,322	-	110,000	379,322
Culture, recreation, and education	613,982	-	-	613,982
Debt Service				
Principal retirement	113,708	1,376,625	-	1,490,333
Interest	13,403	121,655	-	135,058
Capital Outlay				
General government administration	18,643	-	-	18,643
Public safety and law enforcement	2,807,546	-	111,525	2,919,071
Public works	387,930	-	-	387,930
Sanitation	11,017	-	-	11,017
Economic development	294,292	-	-	294,292
Total expenditures	25,177,163	1,498,280	722,885	27,398,328
Excess (deficiency) of revenues over (under) expenditures	(5,038,315)	(106,507)	(55,197)	(5,200,019)
OTHER FINANCING SOURCES				
Proceeds from issuance of general obligation bonds	2,400,000	-	-	2,400,000
Total other financing sources (uses)	2,400,000	-	-	2,400,000
Net change in fund balances	(2,638,315)	(106,507)	(55,197)	(2,800,019)
Fund balances, beginning of year	9,575,669	1,864,720	754,774	12,195,163
Fund balances, end of year	\$ 6,937,354	\$ 1,758,213	\$ 699,577	\$ 9,395,144

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, 2015

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) \$ (2,800,019)

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	3,630,953
Depreciation expense reported in governmental activities	(1,776,511)
Loss on donation of capital asset to industry	(2,563,233)

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

Property taxes	70,898
Accounts receivable	359,232

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	1,490,333
Issuance of long-term debt	(2,400,000)

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 interest	19,153
Pension expense	(121,061)
Accrued compensated absences	(29,116)
Provision for landfill closure and post-closure costs	1,181,120
Other post-employment benefits	(157,878)

Change in net position of governmental activities (page 8)	\$ (3,096,129)
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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, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 16,574,685
Due from others	99,790
Due from other funds	264,170
Total assets	\$ 16,938,645
LIABILITIES	
Due to Dillon County school districts	\$ 14,891,022
Due to others	1,845,866
Due to other funds	\$ 201,757
Total liabilities	16,938,645
NET POSITION	\$ -

The accompanying notes are an integral part of these statements

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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
Project Lifesaver Fund
Santee Cooper Grant Fund
Economic Development Fund
Accommodations Tax Fund
Clerk of Court Child Support Discretionary Fund
Federal Grant Fund
Trinity Behavioral Health Fund
Emergency Telephone System 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, 2015

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 invests in accordance with State of South Carolina statutes and reports any 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 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.

DILLON COUNTY, SOUTH CAROLINA
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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.

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. 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.

DILLON COUNTY, SOUTH CAROLINA
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Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) and additions to/deductions from SCRS's and PORS's fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Appropriations

For the year ended June 30, 2015, general fund expenditures exceeded appropriations in the following departments: code enforcement/building inspection, county attorney, county council, public building maintenance, voter registration, magistrates, ambulance service, animal/litter control, coroner, detention center, disaster preparedness, fire department #5, Bingham fire department, Dillon fire department, Gaddy's fire department, Lake View fire department, Latta fire department, Oak Grove fire department, miscellaneous public safety and law enforcement, roads and bridges, convenience sites, transfer station, development board, economic development projects, alcohol and drug abuse, council on aging, department of social services, veteran affairs, recreation, interest, public works capital outlay, and economic development capital outlay. Revenue in excess of budgeted amounts and a budgeted \$2,893,478 reduction of fund balance funded the over-expenditures.

B. Fund Deficits

At June 30, 2015, the Economic Development special revenue fund reported a deficit of \$28,372 and the Federal Grants special revenue fund reported a \$75,429 deficit.

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, 2015, the carrying amount of the government's bank deposits (including investments) was \$25,086,657. The respective bank balances totaled \$25,300,121. Of the total bank balances, \$539,890 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$24,760,231 was collateralized with securities held by the financial institutions in the County's name.

Investments

At year end, the County maintained \$7,538 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. 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, 2015, Dillon County Library reports cash of \$11,279. The Library also reports an investment which is a bank certificate of deposit with a carrying value and a bank balance of \$26,500. At year end, both the cash and the investment were insured through the FDIC.

**DILLON COUNTY, SOUTH CAROLINA
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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	\$ 601,971	\$ 105,340	\$ -	\$ 707,311
Franchise and sales	65,099	-	-	65,099
Accounts	4,766,445	-	-	4,766,445
Intergovernmental	2,094,577	-	94,282	2,188,859
Other	6,610	-	-	6,610
Gross receivables	7,534,702	105,340	94,282	7,734,324
Less, allowance for uncollectibles	(4,343,545)	(27,740)	-	(4,371,285)
Net total receivables	\$ 3,191,157	\$ 77,600	\$ 94,282	\$ 3,363,039

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)	\$ 370,651	\$ -
Delinquent property taxes and fees receivable (debt service fund)	61,134	-
EMS fees receivable (general fund)	73,068	-
Landfill accounts receivable (general fund)	225,236	-
Intergovernmental receivables	373,368	-
Unearned Local Option Sales Tax revenue (general fund)	-	355,044
	\$ 1,103,457	\$ 355,044

DILLON COUNTY, SOUTH CAROLINA
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C. Capital Assets

The County's capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 2,910,926	\$ 216,508	\$ -	\$ (2,788,671)	\$ 338,763
Economic development property	3,034,497	-	(2,563,233)	-	471,264
Land	1,312,259	-	-	-	1,312,259
Total capital assets not being depreciated	<u>7,257,682</u>	<u>216,508</u>	<u>(2,563,233)</u>	<u>(2,788,671)</u>	<u>2,122,286</u>
Capital assets being depreciated:					
Buildings and improvements	28,206,923	2,673,423	-	2,436,046	33,316,392
Heavy equipment and vehicles	8,686,193	373,907	-	-	9,060,100
Equipment and furnishings	4,922,546	17,607	-	-	4,940,153
Infrastructure	8,446,641	349,508	-	352,625	9,148,774
Total capital assets being depreciated	<u>50,262,303</u>	<u>3,414,445</u>	<u>-</u>	<u>2,788,671</u>	<u>56,465,419</u>
Less accumulated depreciation for:					
Buildings and improvements	18,557,019	660,421	-	-	19,217,440
Heavy equipment and vehicles	6,242,330	551,676	-	-	6,794,006
Equipment and furnishings	4,725,859	72,843	-	-	4,798,702
Infrastructure	4,127,142	491,571	-	-	4,618,713
Total accumulated depreciation	<u>33,652,350</u>	<u>1,776,511</u>	<u>-</u>	<u>-</u>	<u>35,428,861</u>
Total capital assets being depreciated, net	<u>16,609,952</u>	<u>1,637,935</u>	<u>-</u>	<u>2,788,671</u>	<u>21,036,558</u>
Governmental activities capital assets, net	<u>\$ 23,867,635</u>	<u>\$ 1,854,442</u>	<u>\$ (2,563,233)</u>	<u>\$ -</u>	<u>\$ 23,158,844</u>

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

General government administration	\$ 403,138
Administration of justice	968
Public safety and law enforcement	684,846
Public works	451,108
Sanitation	145,251
Economic development	7,648
Social services	2,883
Culture and recreation	<u>80,669</u>
Total depreciation expense - governmental activities	<u>\$ 1,776,511</u>

**DILLON COUNTY, SOUTH CAROLINA
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D. Operating Lease of Economic Development Property

Capital assets held for economic development include a building with a carrying value of \$471,264 which the County leases to an industrial tenant at the rate of \$14,420 per month. Beginning in March of 2015, terms of the lease are month to month.

E. Long-term Debt

A summary of changes in the County's long-term obligations for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,016,875	\$ 1,500,000	\$ 1,300,625	\$ 5,216,250	\$ 1,165,625
Special source revenue bond	76,000	900,000	76,000	900,000	90,000
Capital leases	656,356	-	113,708	542,648	299,733
Compensated absences	480,644	346,033	316,917	509,760	315,000
Provision for landfill closure and post-closure costs	3,290,120	-	1,181,120	2,109,000	81,350
Governmental activity long-term liabilities	<u>\$ 9,519,995</u>	<u>\$ 2,746,033</u>	<u>\$ 2,988,370</u>	<u>\$ 9,277,658</u>	<u>\$ 1,951,708</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, 2015 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	\$ 316,250
\$1,500,000, Series 2012A, payable in annual installments varying from \$221,550 to \$234,071, including interest at 1.77%, maturing April 2020	1,100,000
\$2,500,000, Series 2014, payable in annual installments varying from \$234,739 to \$724,790 including interest at 1.48%, maturing April 2019	2,300,000
\$1,500,000, Series 2015, payable in annual installments varying from \$200,837 to \$264,625 including interest at 1.95%, maturing April 2022	<u>1,500,000</u>
	<u>\$ 5,216,250</u>

Special Revenue Bonds Payable. The County issues special source revenue bonds to finance construction of infrastructure in an industrial park and at a commercial site. The County 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, 2015 was as follows:

\$900,000, Series 2015, payable in annual installments varying from \$111,718 to \$116,550, including interest at 2.37%, 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 2024	<u>\$ 900,000</u>
	<u>\$ 900,000</u>

**DILLON COUNTY, SOUTH CAROLINA
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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 of the inception date. Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were:

Year Ending June 30,	Governmental Activities
2016	\$ 308,392
2017	83,364
2018	83,364
2019	83,364
Thereafter	-
Total minimum lease payments	558,484
Less: amount representing interest	(15,836)
Present value of minimum lease payments	\$ 542,648

Assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Heavy equipment	\$ 604,206
Less: accumulated depreciation	(200,985)
Total	\$ 403,221

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,									
2016	\$ 1,165,625	\$ 96,120	\$ 90,000	\$ 26,550	\$ 299,733	\$ 8,659	\$ 1,555,358	\$ 131,329	\$ 1,686,687
2017	1,250,625	73,207	94,000	19,197	79,793	3,571	1,424,418	95,975	1,520,393
2018	1,095,000	48,803	95,000	16,969	80,966	2,398	1,270,966	68,170	1,339,136
2019	725,000	31,019	97,000	14,718	82,156	1,208	904,156	46,945	951,101
2020	480,000	18,696	100,000	12,419	-	-	580,000	31,115	611,115
2021 -2024	500,000	14,625	424,000	25,430	-	-	924,000	40,055	964,055
Thereafter	-	-	-	-	-	-	-	-	-
Total	\$ 5,216,250	\$ 282,470	\$ 900,000	\$ 115,283	\$ 542,648	\$ 15,836	\$ 6,658,898	\$ 413,589	\$ 7,072,487

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.

**DILLON COUNTY, SOUTH CAROLINA
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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 \$2,109,000 reported as the accrual for landfill closure and post-closure costs at June 30, 2015 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	\$ -	\$ 698,500	\$ 698,500	\$ -
Industrial Waste	Closed	-	499,800	499,800	-
C&D	70%	298,200	612,500	910,700	390,300
Totals		\$ 298,200	\$ 1,810,800	\$ 2,109,000	\$ 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, 2015 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 2015, the County expended \$58,400 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, 2015 were:

	Receivable Fund	Payable Fund
General Fund	\$ 307,031	\$ 2,820,902
Debt Service Fund	1,771,130	-
Sheriff Discretionary Fund	542,255	-
Project Lifesaver Fund	6,900	-
Santee Cooper Grant Fund	4,040	-
Economic Development Fund	-	28,372
Accommodations Tax Fund	51,897	-
Clerk of Court Child Support Discretionary Fund	180,510	-
Federal Grant Fund	-	75,429
Trinity Behavioral Health Fund	-	1,473
Fiduciary Funds	264,170	201,757
	\$ 3,127,933	\$ 3,127,933

DILLON COUNTY, SOUTH CAROLINA
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IV. OTHER INFORMATION

A. Risk Management

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

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

B. Defined Benefit Pension Plans

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

DILLON COUNTY, SOUTH CAROLINA
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SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one-half of one percent per year.

Required employee contribution rates for the fiscal year ending June 30, 2015 are as follows:

SCRS

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

PORS

Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

Required employer contribution rates for the fiscal year ending June 30, 2015 are as follows:

SCRS

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

The County's actual contributions to SCRS and PORS for the year ended June 30, 2015, were \$540,153 and \$368,048, respectively, which equaled the required contributions.

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”), based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS:

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. The County's proportional share of the NPL amounts for SCRS and PORS are presented below:

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	SCRS	PORS
2013	2014	\$ 10,073,101	\$ 4,662,882
2014	2015	\$ 9,668,891	\$ 4,306,256

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The County's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the measurement period ended June 30, 2014, the County's percentage of the SCRS and PORS net pension liability were 0.0056160% and .0022494%, respectively.

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	3.0%	0.01%
Short Duration	3%	6.0%	0.02%
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.1%	0.08%
High Yield	2%	3.5%	0.07%
Bank Loans	4%	2.8%	0.11%
Global Fixed Income	9%		
Global Fixed Income	3%	0.8%	0.02%
Emerging Markets Debt	6%	4.1%	0.25%
Global Public Equity	31%	7.8%	2.42%
Global Tactical Asset Allocation	10%	5.1%	0.51%
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.0%	0.32%
Private Debt	7%	10.2%	0.71%
Private Equity	9%	10.2%	0.92%
Real Estate (Broad Market)	5%	5.9%	0.29%
Commodities	3%	5.1%	0.15%
Total Expected Real Return	<u>100%</u>		<u>5.88%</u>
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u>8.63%</u>

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

Sensitivity Analysis

The following table presents the collective net pension liability of the County calculated using the discount rate of 7.50 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the County's Proportional Share of Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00% Increase (8.5%)
SCRS	\$ 12,512,142	\$ 9,668,890	\$ 7,296,802
PORS	\$ 6,017,880	\$ 4,306,256	\$ 2,890,028

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

Pension Expense and Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2015, the County recognized pension expense of \$1,054,423. At June 30, 2015, the County reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 929,084	\$ -
Differences in actual and expected experience	388,891	-
Changes in assumptions	-	1,313,423
Changes in proportion and differences between County contributions and proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	-	-
	\$ 1,317,975	\$ 1,313,423

The County reported \$929,084 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the County's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2015. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2014 measurement date was 4.233 years for SCRS and 4.856 years for PORS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS	PORS
2015	2016	\$ (119,046)	\$ (94,765)
2016	2017	(119,046)	(94,765)
2017	2018	(119,046)	(94,765)
2018	2019	(184,044)	(99,055)
Thereafter		-	-
Net Balance of Deferred Outflows / (Inflows) of Resources		\$ (541,182)	\$ (383,350)

Payables to the pension plans

At June 30, 2015, the County reported a payable of \$73,300 and \$47,253 for the outstanding amount of contributions due to SCRS and PORS, respectively. The liability will be paid in the normal course of paying year-end obligations.

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

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.

E. 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 June 30, 2014, the measurement date for the plan year, there were 260 covered participants; 19 members were retirees receiving benefits and 241 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 \$71,416, including the implicit subsidy associated with the plan, to cover current premiums for plan participants. Plan members receiving benefits paid \$61,339 of the total cost of premiums.

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:	\$ 259,439
Interest on unfunded OPEB obligation	46,206
Adjustment to ARC	(76,351)
Annual OPEB cost (expense)	229,294
Less: actual contributions	(71,416)
Increase in net OPEB obligation	157,878
Net liability for OPEB, beginning of year	1,060,344
Net liability for OPEB, end of year	\$ 1,218,222

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

The County's annual OPEB cost, the amount contributed by the County, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2015, and the two preceding fiscal years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 256,893	\$ 54,107	21.1%	\$ 854,689
2014	\$ 265,160	\$ 59,505	22.4%	\$ 1,060,344
2015	\$ 229,294	\$ 71,416	31.1%	\$ 1,218,222

Funded Status

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
6/30/2014	\$ -	\$ 2,767,668	\$ 2,767,668	0%	\$ 7,872,277	35.2%

Under the reporting parameters, the County's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by \$2,767,668 at June 30, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to the annual covered payroll was 35.2%.

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 and Drug Trend	Starting at 6.0%, declining to an ultimate rate of 4.5% after 9 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 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.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

F. 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.

G. 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 was \$20,079 for fiscal 2015.

H. Commitments

The County has committed \$3,000,000 for construction of a pipeline to supply natural gas to an industry located in the County. Under terms of the commitment, the County will pay \$1,000,000 for pipeline installation at December 30, 2015, 2016 and 2017.

I. 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.

J. Change in Accounting Principle

During the year ended June 30, 2015, the County implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of this implementation, the County was required to record their proportionate share of the state retirement system's net pension liability. The implementation of this new accounting principle was retroactive and required a net pension liability of \$14,735,983 and deferred outflows of \$886,449 to be recorded on the Statement of Net Position as of June 30, 2014, and a net reduction of Net Position of \$13,849,534. The effect of the restatement is as follows:

Net position as originally presented, June 30, 2014	\$	26,136,612
Implementation of change in accounting principle		<u>(13,849,534)</u>
Net position as restated, June 30, 2014	\$	<u>12,287,078</u>

As of July 1, 2014 the County implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improved accounting and financial reporting of combinations and disposals of government operations of state and local governments in the United States.

DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

K. Pending Implementation of GASB Statements

GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. The County will implement the new guidance with the 2016 financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statement 67 and 68*. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The County will implement the new guidance with the 2016 financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The County will implement the new guidance with the 2017 financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The County will implement the new guidance with the 2018 financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The County will implement the new guidance with the 2016 financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The County will implement the new guidance with the 2017 financial statements.

Management has not yet determined the impact implementation of these standards will have on the County's financial statements, if any.

**DILLON COUNTY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015**

L. Subsequent Events

Management has evaluated subsequent events through January 14, 2016 the date the financial statements were available to be issued. In October 2015, the County authorized execution of an equipment lease purchase agreement not exceeding \$750,000 and issuance and sale of general obligation bonds not exceeding \$1,400,000.

REQUIRED SUPPLEMENTARY INFORMATION

DILLON COUNTY, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
REVENUES				
Property taxes and vehicle fees	\$ 7,993,013	\$ 7,993,013	\$ 7,611,469	\$ (381,544)
Sales taxes	1,942,302	1,942,302	2,152,567	210,265
Intergovernmental revenue	2,403,667	2,403,667	4,617,040	2,213,373
Gifts and grants	-	-	330,000	330,000
Licenses and permits	212,200	212,200	202,441	(9,759)
Charges for services	4,702,641	4,702,641	4,530,656	(171,985)
Fines, fees, and forfeitures	766,000	766,000	635,343	(130,657)
Interest income	1,500	1,500	1,734	234
Other	5,000	5,000	57,598	52,598
Total revenues	18,026,323	18,026,323	20,138,848	2,112,525
EXPENDITURES				
General government administration:				
Assessor	342,560	342,560	339,397	(3,163)
Auditor	100,852	100,852	100,397	(455)
Code enforcement/building inspection	145,210	145,210	146,138	928
County attorney	60,560	60,560	64,712	4,152
County council	729,146	729,146	758,299	29,153
Election/Registration	43,515	43,515	31,575	(11,940)
Information Technology	72,390	72,390	69,938	(2,452)
Public building maintenance	412,097	412,097	425,515	13,418
Purchasing and finance	168,500	168,500	147,711	(20,789)
Treasurer	371,349	371,349	357,640	(13,709)
Voter registration	108,468	108,468	127,066	18,598
Miscellaneous general government administration	1,240,147	1,240,147	893,086	(347,061)
	3,794,794	3,794,794	3,461,474	(333,320)
Administration of Justice:				
Clerk of court	503,420	503,420	465,396	(38,024)
Magistrates	366,565	366,565	389,019	22,454
Public Defender	54,000	54,000	54,000	-
Probate judge	172,680	172,680	159,672	(13,008)
Miscellaneous administration of justice	171,500	171,500	165,051	(6,449)
	1,268,165	1,268,165	1,233,138	(35,027)
Public Safety and Law Enforcement:				
Ambulance service	1,180,634	1,180,634	1,200,144	19,510
Animal/litter control	195,730	195,730	237,443	41,713
Coroner	105,283	105,283	108,313	3,030
Detention Center	2,425,400	2,425,400	2,546,035	120,635
Disaster preparedness	80,630	80,630	107,295	26,665
E911 Service	787,708	787,708	589,463	(198,245)
Fire Department - #5	112,540	112,540	135,850	23,310
Fire Department - Bingham	-	-	5,455	5,455

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
Fire Department - Dillon	188,405	188,405	201,180	12,775
Fire Department - Gaddy's	173,035	173,035	174,585	1,550
Fire Department - Lake View	136,550	136,550	174,210	37,660
Fire Department - Latta	164,710	164,710	189,857	25,147
Fire Department - Oak Grove	79,613	79,613	83,368	3,755
School resource officer	340,000	340,000	256,275	(83,725)
Sheriff	2,106,300	2,106,300	2,186,361	80,061
Victims assistance	65,200	65,200	62,517	(2,683)
Miscellaneous public safety and law enforcement	126,000	126,000	137,332	11,332
	<u>8,267,738</u>	<u>8,267,738</u>	<u>8,395,683</u>	<u>127,945</u>
Public Works:				
Roads and bridges	823,993	823,993	981,019	157,026
Miscellaneous public works	369,615	369,615	155,039	(214,576)
	<u>1,193,608</u>	<u>1,193,608</u>	<u>1,136,058</u>	<u>(57,550)</u>
Sanitation:				
Convenience sites	318,420	318,420	358,912	40,492
Transfer station	1,549,676	1,549,676	1,965,034	415,358
	<u>1,868,096</u>	<u>1,868,096</u>	<u>2,323,946</u>	<u>455,850</u>
Economic Development:				
Development Board	138,160	138,160	261,370	123,210
Economic development projects	2,088,391	2,088,391	3,801,338	1,712,947
Soil Conservation Service	34,313	34,313	34,313	-
	<u>2,260,864</u>	<u>2,260,864</u>	<u>4,097,021</u>	<u>1,836,157</u>
Social Services, Health, and Welfare:				
Alcohol and Drug Abuse	7,000	7,000	7,843	843
Council on Aging	38,410	38,410	75,125	36,715
Department of Social Services	32,000	32,000	48,918	16,918
Health Department	26,527	26,527	16,099	(10,428)
Veteran Affairs	71,873	71,873	77,436	5,563
Miscellaneous social services, health and welfare	66,000	66,000	43,901	(22,099)
	<u>241,810</u>	<u>241,810</u>	<u>269,322</u>	<u>27,512</u>
Culture and Recreation:				
Culture	393,086	393,086	392,052	(1,034)
Recreation	195,837	195,837	221,930	26,093
	<u>588,923</u>	<u>588,923</u>	<u>613,982</u>	<u>25,059</u>
Debt Service:				
Principal retirement	123,000	123,000	113,708	(9,292)
Interest	4,000	4,000	13,403	9,403
	<u>127,000</u>	<u>127,000</u>	<u>127,111</u>	<u>111</u>
Capital Outlay:				
General government administration	31,500	31,500	18,643	(12,857)
Administration of justice	18,500	18,500	-	(18,500)
Public safety and law enforcement	3,670,465	3,670,465	2,807,546	(862,919)

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
Public works	21,000	21,000	387,930	366,930
Sanitation	50,000	50,000	11,017	(38,983)
Economic development	215,593	215,593	294,292	78,699
	4,007,058	4,007,058	3,519,428	(487,630)
Total expenditures	23,618,056	23,618,056	25,177,163	1,559,107
Excess (deficiency) of revenues over (under) expenditures	(5,591,733)	(5,591,733)	(5,038,315)	553,418
OTHER FINANCING SOURCES				
Proceeds from issuance of debt	2,698,255	2,698,255	2,400,000	(298,255)
Total other financing sources	2,698,255	2,698,255	2,400,000	(298,255)
Net change in fund balance	(2,893,478)	(2,893,478)	(2,638,315)	255,163
Fund balance, beginning of year	9,575,669	9,575,669	9,575,669	-
Fund balance, end of year	\$ 6,682,191	\$ 6,682,191	\$ 6,937,354	\$ 255,163

See independent auditors' report and note to required supplementary information

NOTE TO BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND
For the Year Ended June 30, 2015

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
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY-
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

Year Ended June 30	County's proportion of the net pension liability	County's proportionate share of the net pension liability (asset)	County's covered employee payroll	County's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.06%	\$ 9,668,891	\$ 5,043,311	191.72%	59.92%
2014	0.06%	\$ 10,073,101	\$ 4,947,482	203.60%	56.39%

See independent auditors' report.

**DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY-
POLICE OFFICERS RETIREMENT SYSTEM
LAST TWO FISCAL YEARS**

Year Ended June 30	County's proportion of the net pension liability	County's proportionate share of the net pension liability (asset)	County's covered employee payroll	County's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.22%	\$ 4,306,256	\$ 2,828,966	152.22%	67.55%
2014	0.22%	\$ 4,662,882	\$ 2,819,435	165.38%	62.98%

See independent auditors' report.

**DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF CONTRIBUTIONS TO
SOUTH CAROLINA RETIREMENT SYSTEM -
LAST TEN FISCAL YEARS**

Year Ended June 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	County's covered employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$ 540,153	\$ 540,153	\$ -	\$ 5,043,311	10.71%
2014	\$ 517,011	\$ 517,011	\$ -	\$ 4,947,482	10.45%
2013	\$ 482,118	\$ 482,118	\$ -	\$ 4,548,271	10.60%
2012	\$ 428,024	\$ 428,024	\$ -	\$ 4,560,725	9.39%
2011	\$ 443,800	\$ 443,800	\$ -	\$ 4,803,030	9.24%
2010	\$ 424,829	\$ 424,829	\$ -	\$ 4,689,062	9.06%
2009	\$ 417,656	\$ 417,656	\$ -	\$ 4,609,890	9.06%
2008	\$ 410,861	\$ 410,861	\$ -	\$ 4,271,271	9.62%
2007	\$ 333,904	\$ 333,904	\$ -	\$ 4,072,033	8.20%
2006	\$ 286,824	\$ 286,824	\$ -	\$ 3,798,993	7.55%

See independent auditors' report and notes to required supplementary information

**DILLON COUNTY, SOUTH CAROLINA
SCHEDULE OF CONTRIBUTIONS TO
POLICE OFFICERS RETIREMENT SYSTEM -
LAST TEN FISCAL YEARS**

Year Ended June 30	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	City's covered employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$ 368,048	\$ 368,048	\$ -	\$ 2,828,966	13.01%
2014	\$ 350,737	\$ 350,737	\$ -	\$ 2,819,435	12.44%
2013	\$ 325,151	\$ 325,151	\$ -	\$ 2,643,499	12.30%
2012	\$ 304,316	\$ 304,316	\$ -	\$ 2,678,131	11.36%
2011	\$ 291,974	\$ 291,974	\$ -	\$ 2,623,306	11.13%
2010	\$ 261,096	\$ 261,096	\$ -	\$ 2,534,913	10.30%
2009	\$ 260,534	\$ 260,534	\$ -	\$ 2,529,456	10.30%
2008	\$ 254,973	\$ 254,973	\$ -	\$ 2,428,325	10.50%
2007	\$ 247,762	\$ 247,762	\$ -	\$ 2,405,456	10.30%
2006	\$ 235,426	\$ 235,426	\$ -	\$ 2,285,689	10.30%

See independent auditors' report and notes to required supplementary information

**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, 2015**

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 liability (Funded Ratio) (a/b)	Annual Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
Primary Government							
2013	7/1/2012	\$ -	\$ 2,701,785	\$ 2,701,785	0%	\$ 7,191,770	37.6%
2014	7/1/2012	\$ -	\$ 2,701,785	\$ 2,701,785	0%	\$ 7,766,917	34.8%
2015	6/30/2014	\$ -	\$ 2,767,668	\$ 2,767,668	0%	\$ 7,872,277	35.2%

See independent auditors' report and notes to financial statements

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Net OPEB Obligation	Percentage of Annual OPEB Cost Contributed
Primary Government				
2013	\$ 256,893	\$ 54,107	\$ 854,689	21.1%
2014	\$ 265,160	\$ 59,505	\$ 1,060,344	22.4%
2015	\$ 229,294	\$ 71,416	\$ 1,218,222	31.1%

See independent auditors' report and notes to financial statements

SUPPLEMENTARY INFORMATION

DILLON COUNTY, SOUTH CAROLINA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds									Total
	Sheriff	Project	Santee	Economic	Accommodations	Clerk of	Federal	Trinity	Emergency	
	Discretionary	Lifesaver	Cooper	Development	Tax	Court Child	Grants	Behavioral	Telephone	
	Fund	Fund	Grant	Fund	Fund	Support	Fund	Health	System	
ASSETS										
Cash and cash equivalents	\$ 1,807	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807
Receivables, net of allowance for doubtful accounts	-	-	-	-	-	1,241	75,430	17,611	-	94,282
Due from other funds	542,255	6,900	4,040	-	51,897	180,510	-	-	-	785,602
Total assets	\$ 544,062	\$ 6,900	\$ 4,040	\$ -	\$ 51,897	\$ 181,751	\$ 75,430	\$ 17,611	\$ -	\$ 881,691
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)										
Liabilities:										
Accounts payable	\$ 1,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,410
Due to other funds	-	-	-	28,372	-	-	75,429	1,473	-	105,274
	1,410	-	-	28,372	-	-	75,429	1,473	-	106,684
Deferred inflows of resources:										
Deferred inflows from accounts receivable	-	-	-	-	-	-	75,430	-	-	75,430
Total deferred inflows of resources	-	-	-	-	-	-	75,430	-	-	75,430
Fund Balances (Deficits):										
Unassigned	-	-	-	(28,372)	-	-	(75,429)	-	-	(103,801)
Restricted for:										
Administration of justice	-	-	-	-	-	181,751	-	-	-	181,751
Public safety and law enforcement	542,652	6,900	-	-	-	-	-	-	-	549,552
Economic development	-	-	4,040	-	51,897	-	-	-	-	55,937
Social services, health, and welfare	-	-	-	-	-	-	-	16,138	-	16,138
Debt service	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	542,652	6,900	4,040	(28,372)	51,897	181,751	(75,429)	16,138	-	699,577
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 544,062	\$ 6,900	\$ 4,040	\$ -	\$ 51,897	\$ 181,751	\$ 75,430	\$ 17,611	\$ -	\$ 881,691

**DILLON COUNTY, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES (DEFICITS) – NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015**

	Special Revenue Funds									
	Sheriff Discretionary Fund	Project Lifesaver 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	Emergency Telephone System Fund	Total
REVENUES										
Taxes - property	\$ -	\$ -	\$ -	\$ 34,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,817
Intergovernmental revenue	-	-	-	-	76,830	35,486	18,531	115,050	149,989	395,886
Gifts and grants	-	7,900	-	-	-	-	-	-	-	7,900
Licenses and permits	-	-	-	-	-	-	-	-	92,512	92,512
Fines, fees, and forfeitures	136,573	-	-	-	-	-	-	-	-	136,573
Total revenues	<u>136,573</u>	<u>7,900</u>	<u>-</u>	<u>34,817</u>	<u>76,830</u>	<u>35,486</u>	<u>18,531</u>	<u>115,050</u>	<u>242,501</u>	<u>667,688</u>
EXPENDITURES										
Current										
Administration of justice	-	-	-	-	-	6,402	-	-	-	6,402
Public safety and law enforcement	101,754	1,000	-	-	-	-	46,051	-	242,501	391,306
Economic development	-	-	-	-	103,652	-	-	-	-	103,652
Social services, health, and welfare	-	-	-	-	-	-	-	110,000	-	110,000
Capital outlay										
Public safety and law enforcement	63,616	-	-	-	-	-	47,909	-	-	111,525
Total expenditures	<u>165,370</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>103,652</u>	<u>6,402</u>	<u>93,960</u>	<u>110,000</u>	<u>242,501</u>	<u>722,885</u>
Net change in fund balances	(28,797)	6,900	-	34,817	(26,822)	29,084	(75,429)	5,050	-	(55,197)
Fund balances (deficits), beginning of year	571,449	-	4,040	(63,189)	78,719	152,667	-	11,088	-	754,774
Fund balances (deficits), end of year	<u>\$ 542,652</u>	<u>\$ 6,900</u>	<u>\$ 4,040</u>	<u>\$ (28,372)</u>	<u>\$ 51,897</u>	<u>\$ 181,751</u>	<u>\$ (75,429)</u>	<u>\$ 16,138</u>	<u>\$ -</u>	<u>\$ 699,577</u>

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, 2015

	General Sessions Court	Magistrates Courts	Probate Court	Total
Fines and fees collected	\$ 187,390	\$ 414,312	\$ 20,860	\$ 622,562
Assessments collected	3,974	325,962	-	329,936
Surcharges collected	17,124	146,321	-	163,445
Fines and fees retained by County	(32,362)	(374,531)	(10,520)	(417,413)
Assessments retained by County	(1,753)	(33,904)	-	(35,657)
Surcharges retained by County	(9,579)	(9,965)	-	(19,544)
Fines and assessments remitted to State Treasurer	<u>\$ 164,794</u>	<u>\$ 468,195</u>	<u>\$ 10,340</u>	643,329
Fines and assessments payable to State Treasurer's Office on June 30, 2015				(51,591)
Fines and assessments payable to State Treasurer's Office on June 30, 2014				<u>49,620</u>
Fines and assessments paid to State Treasurer's Office during fiscal year ended June 30, 2015				<u>\$ 641,358</u>
Spent on victims' services:				
From assessments and surcharges				\$ 55,663
From other funds				<u>6,854</u>
				<u>\$ 62,517</u>

REGULATORY SECTION

**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, 2015, 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 January 14, 2016.

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*.

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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
January 14, 2016

**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, 2015. 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, 2015

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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.

Handwritten signature in blue ink that reads "Webster Rogers LLP".

Florence, South Carolina

January 14, 2016

DILLON COUNTY, SOUTH CAROLINA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

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	\$ 8,925
Total Department of Agriculture Programs			<u>8,925</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	26,170
Total Department of Housing and Urban Development Programs			<u>26,170</u>
Department of Justice Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-0441	18,530
Total Department of Justice Direct Programs			<u>18,530</u>
Department of Justice Pass-through Programs From:			
South Carolina Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1G14004	75,430
Total Department of Justice Pass-through Programs			<u>75,430</u>
Total Department of Justice Programs			<u>93,960</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	71
Temporary Assistance for Needy Families	93.558	N/A	8,028
Child Support Enforcement	93.563	N/A	13
Child Support Enforcement	93.563	N/A	6,399
Child Support Enforcement	93.563	N/A	162,062
Child Support Enforcement	93.563	N/A	13,312
			<u>181,786</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	74
ARRA Foster Care Title IV-E	93.658	N/A	4,323
Social Services Block Grant	93.667	N/A	2,870
Medicaid Assistance Program	93.778	N/A	6,209
Total Department of Health and Human Services			<u>203,361</u>

Continued

DILLON COUNTY, SOUTH CAROLINA
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Homeland Security Pass-through Programs From:			
South Carolina Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-SC-4166-PW-00245	125,824
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-04-SC-4166-PW-00253	17,086
			<u>142,910</u>
Emergency Management Performance Grants	97.042	14EMPG01	55,978
Total Department of Homeland Security			<u>198,888</u>
Total Expenditures of Federal Awards			<u>\$ 531,304</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, 2015

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, 2015. 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.

As a result of Hurricane Sandy, the Department of Homeland Security Federal Emergency Management Agency (FEMA) ruled that amounts expended in accordance with Disaster Grants – Public Assistance (Presidentially Declared Disasters), CFDA No. 97.036, should be reported on Schedules of Expenditures of Federal Awards as determined on a disaster by disaster basis. Accordingly, the \$142,910 reported on the accompanying schedule for that program was expended in fiscal 2014.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee? _____ Yes **X** No

**DILLON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015**

None.