

# DILLON COUNTY, SOUTH CAROLINA

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## **Financial Statements with Independent Auditors' Report**

For the Year Ending June 30, 2016



**DILLON COUNTY, SOUTH CAROLINA  
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Year Ended June 30, 2016**

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# ***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina, as of and for the year ended June 30, 2016, 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, 2016, 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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## **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 41 - 46, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 March 3, 2017, 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  
March 3, 2017

## **BASIC FINANCIAL STATEMENTS**

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**DILLON COUNTY, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	Primary Government	Component Unit
	Governmental Activities	Library
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,205,422	\$ 9,314
Investments	-	26,500
Receivables, net of allowance for doubtful accounts	3,564,378	-
Prepays	89,009	-
Due from other funds	104,383	-
Due from primary government	-	33,100
Inventories	29,518	-
Capital assets		
Nondepreciable	1,887,577	-
Depreciable, net of accumulated depreciation	<u>21,733,597</u>	<u>259,923</u>
<b>Total assets</b>	<u>35,613,884</u>	<u>328,837</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension expense	<u>1,641,204</u>	-
<b>Total deferred outflows</b>	<u>1,641,204</u>	-
<b>LIABILITIES</b>		
Accounts payable	771,236	9,875
Accrued salaries and payroll withholdings	491,600	-
Accrued interest	23,122	-
Due to other funds	226,437	-
Due to component unit	33,100	-
Unearned revenue	316,656	-
Obligation for other postemployment benefits	1,398,133	-
Pension liability, net	15,118,449	-
Long-term liabilities:		
Due within one year	1,972,008	-
Due in more than one year	<u>7,618,053</u>	-
<b>Total Liabilities</b>	<u>27,968,794</u>	<u>9,875</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension expense	<u>632,186</u>	-
<b>Total deferred inflows</b>	<u>632,186</u>	-
<b>NET POSITION</b>		
Net investment in capital assets	16,862,734	259,923
Restricted for :		
Administration of justice	215,228	-
Public safety and law enforcement	519,192	-
Economic development	261,340	-
Social services, health and welfare	36,621	-
Culture and recreation	-	59,039
Debt service	1,830,038	-
Unrestricted	<u>(11,071,045)</u>	-
<b>Total net position</b>	<u>\$ 8,654,108</u>	<u>\$ 318,962</u>

The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

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	
<b>Primary government:</b>						
Governmental activities:						
General government administration	\$ 4,545,211	\$ 237,646	\$ 32,136	\$ -	\$ (4,275,429)	\$ -
Administration of justice	1,243,510	710,950	212,620	-	(319,940)	-
Public safety and law enforcement	9,805,115	2,600,388	532,550	14,644	(6,657,533)	-
Public works	1,737,000	972,095	291,625	-	(473,280)	-
Sanitation	2,236,851	2,741,598	8,958	-	513,705	-
Economic development	1,826,581	-	475,779	961,069	(389,733)	-
Social services, health, and welfare	363,913	-	122,435	-	(241,478)	-
Culture, recreation, and education	855,416	23,065	97,317	-	(735,034)	-
Interest on long-term debt	125,962	-	-	-	(125,962)	-
<b>Total primary government</b>	<b>\$ 22,739,559</b>	<b>\$ 7,285,742</b>	<b>\$ 1,773,420</b>	<b>\$ 975,713</b>	<b>\$ (12,704,684)</b>	<b>\$ -</b>
<b>Component Unit:</b>						
Dillon County Library	\$ 475,010	\$ -	\$ 415,403	\$ 79,578		\$ 19,971
General revenues						
Property taxes					8,299,113	-
Sales taxes					2,463,878	-
Franchise fees and permits					45,791	-
Grants and contributions not restricted to specific programs					1,323,523	-
Unrestricted interest income					3,551	-
Other					31,987	-
Total general revenues and transfers					12,167,843	19,971
Change in net position					(536,841)	19,971
Net position, beginning of year					9,190,949	298,991
Net position, end of year					\$ 8,654,108	\$ 318,962

The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,203,758	\$ -	\$ 1,664	\$ 8,205,422
Receivables, net of allowance for doubtful accounts	3,323,212	88,309	152,857	3,564,378
Inventories	29,518	-	-	29,518
Prepays	89,009	-	-	89,009
Due from other funds	244,370	1,825,964	1,006,473	3,076,807
Total assets	<u>\$ 11,889,867</u>	<u>\$ 1,914,273</u>	<u>\$ 1,160,994</u>	<u>\$ 14,965,134</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 771,236	\$ -	\$ -	\$ 771,236
Accrued salaries and payroll withholdings	491,600	-	-	491,600
Accrued interest	-	23,101	-	23,101
Unearned revenue	316,656	-	-	316,656
Due to component unit	33,100	-	-	33,100
Due to other funds	3,057,881	-	140,980	3,198,861
Total liabilities	<u>4,670,473</u>	<u>23,101</u>	<u>140,980</u>	<u>4,834,554</u>
<b>Deferred inflows of resources:</b>				
Deferred inflows from property taxes	362,641	59,328	-	421,969
Deferred inflows from accounts receivable	724,566	-	52,653	777,219
Total deferred inflows of resources	<u>1,087,207</u>	<u>59,328</u>	<u>52,653</u>	<u>1,199,188</u>
<b>Fund Balances (Deficits):</b>				
Nonspendable:				
Inventories and prepays	118,527	-	-	118,527
Restricted for:				
Administration of justice	-	-	215,228	215,228
Public safety and law enforcement	182	-	519,010	519,192
Economic development	-	-	261,340	261,340
Social services, health, and welfare	-	-	36,621	36,621
Debt service	-	1,831,844	-	1,831,844
Unassigned	6,013,478	-	(64,838)	5,948,640
Total fund balances (deficits)	<u>6,132,187</u>	<u>1,831,844</u>	<u>967,361</u>	<u>8,931,392</u>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<u>\$ 11,889,867</u>	<u>\$ 1,914,273</u>	<u>\$ 1,160,994</u>	<u>\$ 14,965,134</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, 2016**

<b>Amounts reported for government activities in the statement of net position are different from Fund balance - total governmental funds because:</b>	
Fund balances - total governmental funds (page 11)	\$ 8,931,392
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	23,621,174
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	
Property taxes	421,969
Accounts receivable	777,219
Deferred outflows of resources for pension expense	1,641,204
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	(515,195)
Other post-employment benefits	(1,398,133)
Net pension liability	(15,118,449)
Provision for landfill closure and post-closure costs	(1,821,326)
Accrued interest	(21)
Bonds and leases payable	(7,253,540)
Deferred inflows of resources for pension expense	(632,186)
Net position of governmental activities (page 9)	<u>\$ 8,654,108</u>

The accompanying notes are an integral part of these statements.

**DILLON COUNTY, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	General Fund	Debt Service Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes				
Property taxes and vehicle and fire fees	\$ 8,115,513	\$ 1,440,778	\$ 27,378	\$ 9,583,669
Sales	2,463,878	-	-	2,463,878
Intergovernmental revenue	3,508,514	-	567,881	4,076,395
Gifts and grants	-	-	245,500	245,500
Licenses and permits	157,864	-	88,114	245,978
Charges for services	4,791,080	-	-	4,791,080
Fines, fees, and forfeitures	580,756	-	84,192	664,948
Interest income	3,551	-	-	3,551
Other	31,988	-	-	31,988
Total revenues	<u>19,653,144</u>	<u>1,440,778</u>	<u>1,013,065</u>	<u>22,106,987</u>
<b>EXPENDITURES</b>				
Current				
General government administration	3,805,160	-	-	3,805,160
Administration of justice	1,225,719	-	948	1,226,667
Public safety and law enforcement	8,581,122	-	462,141	9,043,263
Public works	1,089,860	-	-	1,089,860
Sanitation	2,370,562	-	-	2,370,562
Economic development	1,694,285	-	123,711	1,817,996
Social services, health, and welfare	264,387	-	95,000	359,387
Culture, recreation, and education	771,949	-	-	771,949
Debt Service				
Principal retirement	299,733	1,255,625	-	1,555,358
Interest	14,440	111,522	-	125,962
Capital Outlay				
General government administration	339,631	-	-	339,631
Administration of justice	6,542	-	-	6,542
Public safety and law enforcement	508,582	-	63,481	572,063
Public works	59,274	-	-	59,274
Sanitation	174,973	-	-	174,973
Economic development	1,365,490	-	-	1,365,490
Culture and recreation	36,602	-	-	36,602
Total expenditures	<u>22,608,311</u>	<u>1,367,147</u>	<u>745,281</u>	<u>24,720,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,955,167)</u>	<u>73,631</u>	<u>267,784</u>	<u>(2,613,752)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from issuance of general obligation bonds	2,150,000	-	-	2,150,000
Total other financing sources (uses)	<u>2,150,000</u>	<u>-</u>	<u>-</u>	<u>2,150,000</u>
Net change in fund balances	(805,167)	73,631	267,784	(463,752)
Fund balances, beginning of year	6,937,354	1,758,213	699,577	9,395,144
Fund balances, end of year	<u>\$ 6,132,187</u>	<u>\$ 1,831,844</u>	<u>\$ 967,361</u>	<u>\$ 8,931,392</u>

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, 2016**

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

Net change in fund balances -- total governmental funds (page 13) \$ (463,752)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense in order to allocate capital outlays over the lives of the applicable assets

Capital asset purchases expensed in governmental funds but capitalized by governmental activities	2,554,575
Depreciation expense reported in governmental activities	(2,092,245)

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

Property taxes	(9,816)
Accounts receivable	105,547

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	1,555,358
Issuance of long-term debt	(2,150,000)

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:

Pension expense	(138,836)
Accrued compensated absences	(5,435)
Provision for landfill closure and post-closure costs	287,674
Other post-employment benefits	(179,911)

Change in net position of governmental activities (page 10)	\$ (536,841)
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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, 2016**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,687,009
Due from others	-
Due from other funds	226,437
Total assets	\$ 16,913,446
 <b>LIABILITIES</b>	
Due to Dillon County school districts	\$ 15,368,630
Due to others	1,440,433
Due to other funds	104,383
Total liabilities	16,913,446
<b>NET POSITION</b>	<b>\$ -</b>

The accompanying notes are an integral part of these statements

**DILLON COUNTY, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, 2016**

*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 nine 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 Grants 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

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levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

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

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 state and local 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*

County investments are made in accordance with State of South Carolina statutes and reported at fair value.

*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

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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 year end are reported as construction in progress.

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

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

*Inter-fund Receivables and Payables*

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

*Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the period incurred.

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

*Compensated Absences*

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

*Future Landfill Closure and Post-Closure Care Costs*

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

*Deferred Inflows/Outflows of Resources*

In addition to assets, the statement of net position sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (that is, as an expense or expenditure) until then.

Items reported by the County in this category are related to pension obligations as follows: (1) Pension contributions made subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the subsequent year; (2) The net difference between the projected and actual earnings on pension plan investments which is deferred and amortized over a closed five-year period; (3) The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants; and (4) The changes in proportion and differences between employer

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contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.

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 inflows 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.

Items reported by the County in this category are related to pension obligations as follows: (1) The differences between expected and actual experience is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants; and (2) The changes in proportion and differences between employer contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.

The County also has inflows which arise under the modified accrual basis of accounting that qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. As such, under the modified accrual basis of accounting, the governmental funds report unavailable revenues from such things as property taxes, EMS fees, landfill accounts receivable and other receivables. These amounts are deferred and recognized as an inflow of resources in the period they become available.

*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.

*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.

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*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.

*Adoption of New Accounting Standards*

Effective for the fiscal year ending June 30, 2016, the County adopted GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of this implementation, the County classifies investments using a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value.

The County also implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement identifies, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This statement addresses the use of authoritative and nonauthoritative sources of information in the event the accounting treatment for a transaction is not specific in a GASB pronouncement.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Excess of Expenditures over Appropriations**

For the year ended June 30, 2016, general fund expenditures exceeded appropriations by \$4,030,393 in the following departments: auditor, code enforcement/building inspection, county attorney, county council, election/registration, public building maintenance, treasurer, voter registration, magistrates, probate judge, ambulance service, animal/litter control, coroner, detention center, fire department #5, Bingham fire department, Gaddy's fire department, Lake View fire department, Latta fire department, Oak Grove fire department, sheriff, victims assistance, miscellaneous public safety and law enforcement, roads and bridges, convenience sites, transfer station, development board, economic development miscellaneous, department of social services, veteran affairs, library, recreation, principal retirement, interest, general government administration capital outlay, administration of justice capital outlay, public safety and law enforcement capital outlay, public works capital outlay, sanitation capital outlay, economic development capital outlay, and culture and recreation capital outlay. Revenue which exceeded budgeted amounts by \$1,370,833, issuance of \$650,000 debt in excess of budgeted amounts, departments which spent \$1,519,072 less than appropriated amounts, and a budgeted \$314,679 reduction of fund balance funded all but \$490,488 of the over-expenditures.

### **B. Fund Deficits**

At June 30, 2016, the Economic Development special revenue fund reported a deficit of \$994 and the Federal Grants special revenue fund reported a \$63,844 deficit.

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**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, 2016, the carrying amount of the government's bank deposits (including investments) was \$24,891,631. The respective bank balances totaled \$25,112,979. Of the total bank balances, \$504,467 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$24,608,512 was collateralized with securities held by the financial institutions in the County's name.

*Investments*

At year end, the County maintained \$12,607 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, 2016, Dillon County Library reports cash of \$9,314. 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.

**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	\$ 654,924	\$ 105,568	\$ -	\$ 760,492
Franchise and sales	39,306	-	42,780	82,086
Accounts	5,412,282	-	-	5,412,282
Intergovernmental	2,061,189	-	110,077	2,171,266
Other	21,244	-	-	21,244
Gross receivables	8,188,945	105,568	152,857	8,447,370
Less, allowance for uncollectibles	(4,865,733)	(17,259)	-	(4,882,992)
Net total receivables	<u>\$ 3,323,212</u>	<u>\$ 88,309</u>	<u>\$ 152,857</u>	<u>\$ 3,564,378</u>

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

	Unavailable	Unearned
Delinquent property taxes and fees receivable (general fund)	\$ 362,641	\$ -
Delinquent property taxes and fees receivable (debt service fund)	59,328	-
EMS fees receivable (general fund)	190,071	-
Landfill accounts receivable (general fund)	149,276	-
Intergovernmental receivables (general fund)	385,219	-
Intergovernmental receivables (special revenue fund)	52,653	-
Unearned Local Option Sales Tax revenue (general fund)	-	316,656
	\$ 1,199,188	\$ 316,656

**C. Capital Assets**

The County's capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Construction in progress	\$ 338,763	\$ -	\$ -	\$ ( 338,763)	\$ -
Economic development property	471,264	-	-	-	471,264
Land	1,312,259	5,000	-	99,054	1,416,313
Total capital assets not being depreciated	2,122,286	5,000	-	(239,709)	1,887,577
Capital assets being depreciated:					
Buildings and improvements	33,316,392	-	-	-	33,316,392
Heavy equipment and vehicles	9,060,100	647,934	-	-	9,708,034
Equipment and furnishings	4,940,153	482,405	-	-	5,422,558
Infrastructure	9,148,774	1,419,236	-	239,709	10,807,719
Total capital assets being depreciated	56,465,419	2,549,575	-	239,709	59,254,703
Less accumulated depreciation for:					
Buildings and improvements	19,217,440	906,208	-	-	20,123,648
Heavy equipment and vehicles	6,794,006	527,573	-	-	7,321,579
Equipment and furnishings	4,798,702	114,604	-	-	4,913,306
Infrastructure	4,618,713	543,860	-	-	5,162,573
Total accumulated depreciation	35,428,861	2,092,245	-	-	37,521,106
Total capital assets being depreciated, net	21,036,558	457,330	-	239,709	21,733,597
Governmental activities capital assets, net	\$ 23,158,844	\$ 462,330	\$ -	\$ -	\$ 23,621,174

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

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General government administration	\$	530,051
Administration of justice		3,134
Public safety and law enforcement		678,527
Public works		639,324
Sanitation		148,756
Economic development		9,852
Social services		2,891
Culture and recreation		79,710
		79,710
Total depreciation expense - governmental activities	\$	2,092,245

**D. Operating Lease of Economic Development Property**

Capital assets held for economic development include a building with a carrying value of \$471,264. The County leased the building to an industrial tenant at the rate of \$14,420 per month through March 31, 2016, when the tenant did not renew its month to month lease.

**E. Long-term Debt**

A summary of changes in the County's long-term obligations for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 5,216,250	\$ 1,400,000	\$ 1,165,625	\$ 5,450,625	\$ 1,300,625
Special source revenue bond	900,000	-	90,000	810,000	94,000
Capital leases	542,648	750,000	299,733	992,915	181,033
Compensated absences	509,760	343,636	338,201	515,195	315,000
Provision for landfill closure and post-closure costs	2,109,000	-	287,674	1,821,326	81,350
Governmental activity long-term liabilities	\$ 9,277,658	\$ 2,493,636	\$ 2,181,233	\$ 9,590,061	\$ 1,972,008

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, 2016 are as follows:

\$1,060,000, Series 2009, payable in on remaining annual installment of \$167,452 including interest at 4.25%, maturing April 2017	\$ 160,625
\$1,500,000, Series 2012A, payable in annual installments varying from \$230,753 to \$234,071, including interest at 1.77%, maturing April 2020	890,000
\$2,500,000, Series 2014, payable in annual installments varying from \$304,440 to \$724,790 including interest at 1.48%, maturing April 2019	1,675,000
\$1,500,000, Series 2015, payable in annual installments varying from \$200,837 to \$254,875 including interest at 1.95%, maturing April 2022	1,325,000
\$1,400,000, Series 2016, payable in annual installments varying from \$75,129 to \$356,405 including interest at 1.83%, maturing April 2023	1,400,000
	\$ 5,450,625

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**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, 2016 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	\$ 810,000
	\$ 810,000

**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, 2016, were:

Year Ending June 30,	Governmental Activities
2017	\$ 199,419
2018	199,419
2019	199,419
2020	116,055
2021	116,055
2022-2023	232,110
Thereafter	-
Total minimum lease payments	1,062,477
Less: amount representing interest	(69,562)
Present value of minimum lease payments	\$ 992,915

Assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Heavy equipment	\$ 690,097
Less: accumulated depreciation	(69,340)
Total	\$ 620,757

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

Year Ending June 30,	General Obligation Bonds		Special Source Revenue Bond		Capital Leases		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 1,300,625	\$ 98,336	\$ 94,000	\$ 19,197	\$ 181,033	\$ 18,386	\$ 1,575,658	\$135,919	\$ 1,711,577
2018	1,245,000	73,508	95,000	16,969	183,657	15,762	1,523,657	106,239	1,629,896
2019	900,000	52,979	97,000	14,718	186,962	12,457	1,183,962	80,154	1,264,116
2020	680,000	37,454	100,000	12,419	106,965	9,090	886,965	58,963	945,928
2021	475,000	24,848	102,000	10,049	109,168	6,887	686,168	41,784	727,952
2022 -2024	850,000	22,260	322,000	15,381	225,130	6,980	1,397,130	44,621	1,441,751
Thereafter	-	-	-	-	-	-	-	-	-
Total	\$ 5,450,625	\$ 309,385	\$ 810,000	\$ 88,733	\$ 992,915	\$ 69,562	\$ 7,253,540	\$467,680	\$ 7,721,220

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**Landfill Closure and Post Closure Costs**

State and federal laws and regulations require the County to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. In accordance with state law, the County closed its municipal solid waste landfill in fiscal 1996. The County closed its industrial waste landfill in fiscal 2009. The County continues to operate its C&D landfill which it estimates is at 70% of capacity. The capacity is being increased by opening additional cells.

Although closure and post closure care costs are paid only near or after the date that landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,821,326 reported as the accrual for landfill closure and post-closure costs at June 30, 2016 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	\$ -	\$ 635,000	\$ 635,000	\$ -
Industrial Waste	Closed	-	481,950	481,950	-
C&D	70%	279,735	424,641	704,376	301,876
Totals		\$ 279,735	\$ 1,541,591	\$ 1,821,326	\$ 301,876

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, 2016 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 2016, the County expended \$69,225 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, 2016 were:

	Receivable Fund	Payable Fund
General Fund	\$ 244,370	\$ 3,057,881
Debt Service Fund	1,825,964	-
Sheriff Discretionary Fund	514,281	-
Project Lifesaver Fund	3,065	-
Santee Cooper Grant Fund	178,650	-
Economic Development Fund	-	994
Accommodations Tax Fund	82,690	-
Clerk of Court Child Support Discretionary Fund	213,017	-
Federal Grants Fund	-	97,206
Trinity Behavioral Health Fund	14,770	-
Emergency Telephone System Fund	-	42,780
Fiduciary Funds	226,437	104,383
	\$ 3,303,244	\$ 3,303,244

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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 Department of Administration.

**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](http://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.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or

**DILLON COUNTY, SOUTH CAROLINA  
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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 plan's fiscal years are as follows:

	<u>Fiscal Year Ended June 30, 2015</u>	<u>Fiscal Year Ended June 30, 2016</u>
<b>SCRS</b>		
Employee Class Two	8.00% of earnable compensation	8.16% of earnable compensation
Employee Class Three	8.00% of earnable compensation	8.16% of earnable compensation
<b>PORS</b>		
Employee Class Two	8.41% of earnable compensation	8.74% of earnable compensation
Employee Class Three	8.41% of earnable compensation	8.74% of earnable compensation

Required employer contribution rates for the plan fiscal years are as follows:

	<u>Fiscal Year Ended June 30, 2015</u>	<u>Fiscal Year Ended June 30, 2016</u>
<b>SCRS</b>		
Employer Class Two	10.75% of earnable compensation	10.91% of earnable compensation
Employer Class Three	10.75% of earnable compensation	10.91% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation	0.15% of earnable compensation
<b>PORS</b>		
Employer Class Two	13.01% of earnable compensation	13.34% of earnable compensation
Employer Class Three	13.01% of earnable compensation	13.34% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation	0.20% of earnable compensation

The County's actual contributions to SCRS and PORS for the year ended June 30, 2016, were \$528,618 and \$400,631, 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 performed on data through June 30, 2015, is currently underway.

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The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2014. 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, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, 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, 2014, valuations for SCRS and PORS:

	<b>SCRS</b>	<b>PORS</b>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	3.5% to 12.5% (varies by service)*	4.0 % to 210.0% (varies by service)*
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

\*Includes inflation at 2.75%

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. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators	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 and Firefighters	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:

<b>Measurement Period Ended June 30,</b>	<b>Fiscal Year Ended June 30,</b>	<b>SCRS</b>	<b>PORS</b>
2014	2015	\$ 9,668,891	\$ 4,306,256
2015	2016	\$ 9,807,430	\$ 5,311,019

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, 2015, the County's percentage of the SCRS and PORS net pension liability were 0.051712% and 0.24368%, respectively.

**DILLON COUNTY, SOUTH CAROLINA**  
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*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations was based upon the 30-year capital market outlook at the end of the fourth quarter 2013, as developed by Retirement System Investment Commission (“RSIC”) in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of return represents assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as 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 expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and 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.

*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.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Short Term</b>	<b>5%</b>		
Cash	2%	1.9%	0.04%
Short Duration	3%	2.0%	0.06%
<b>Domestic Fixed Income</b>	<b>13%</b>		
Core Fixed Income	7%	2.7%	0.19%
Mixed Credit	6%	3.8%	0.23%
<b>Global Fixed Income</b>	<b>9%</b>		
Global Fixed Income	3%	2.8%	0.08%
Emerging Markets Debt	6%	5.1%	0.31%
<b>Global Public Equity</b>	<b>31%</b>	7.1%	2.20%
<b>Global Tactical Asset Allocation</b>	<b>10%</b>	4.9%	0.49%
<b>Alternatives</b>	<b>32%</b>		
Hedge Funds (Low Beta)	8%	4.3%	0.34%
Private Debt	7%	9.9%	0.69%
Private Equity	9%	9.9%	0.89%
Real Estate (Broad Market)	5%	6.0%	0.30%
Commodities	3%	5.9%	0.18%
Total Expected Real Return	<u>100%</u>		<u>6.00%</u>
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u>8.75%</u>

**DILLON COUNTY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

*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.

<b>Sensitivity of the County's Proportional Share of Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.00% Increase (8.5%)</b>
SCRS	\$ 12,364,367	\$ 9,807,430	\$ 7,664,392
PORS	\$ 7,234,817	\$ 5,311,019	\$ 3,591,205

***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, 2016, the County recognized pension expense of \$1,054,423. At June 30, 2016, 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	\$ 929,249	\$ -
Differences in actual and expected experience	279,510	17,539
Changes in assumptions	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	308,687	614,647
Net differences between projected and actual earnings on plan investments	123,758	-
	\$ 1,641,204	\$ 632,186

The County reported \$929,249 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, 2017. 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, 2016. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2015 measurement date was 4.164 years for SCRS and 4.796 years for PORS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS	PORS
2016	2017	\$ (152,275)	\$ 97,835
2017	2018	(152,275)	97,835
2018	2019	(212,126)	93,186
2019	2020	124,380	183,209
Thereafter		-	-
Net Balance of Deferred Outflows / (Inflows) of Resources		\$ (392,296)	\$ 472,065

**DILLON COUNTY, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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***Payables to the pension plans***

At June 30, 2016, the County reported a payable of \$74,215 and \$48,215 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.

**C. Deferred Compensation Plans**

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

**D. Other Post-Employment Benefits**

***Plan Description***

In fiscal 1994, Dillon County Council passed an ordinance to provide for a single-employer defined benefit post-retirement health benefit plan for retirees who meet certain length of service requirements. Employees with 28 consecutive years of service covered by the South Carolina Retirement System, employees with 25 years of consecutive service covered by the Police Officers Retirement System, and County Council members with 12 years of service are eligible to be covered under this plan. Benefits are effective at the employee's date of retirement or when the employee is eligible for retirement benefits. Among other provisions, qualifying employees are eligible to receive continuing health insurance coverage with the County paying 100% of the employer's portion of the retiree only insurance premiums. The balance is paid by the retired employee. Early retirees are eligible to participate in the plan at their own expense. The County's regular insurance providers underwrite the retirees' policies. There is no stand-alone financial report for the plan.

As of 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 2016, the County paid \$91,341, including the implicit subsidy associated with the plan, to cover current premiums for plan participants. Plan members receiving benefits paid \$39,769 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:

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Annual required contribution (ARC) for current year:	\$ 267,222
Interest on unfunded OPEB obligation	54,820
Adjustment to ARC	<u>(50,790)</u>
Annual OPEB cost (expense)	271,252
Less: actual contributions	<u>(91,341)</u>
Increase in net OPEB obligation	179,911
Net liability for OPEB, beginning of year	<u>1,218,222</u>
Net liability for OPEB, end of year	<u><u>\$ 1,398,133</u></u>

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, 2016, 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
2014	\$ 265,160	\$ 79,408	29.9%	\$ 1,060,344
2015	\$ 229,294	\$ 71,416	31.1%	\$ 1,218,222
2016	\$ 271,252	\$ 91,341	33.7%	\$ 1,398,133

***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%	\$ 7,695,347	36.0%

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 36.0%.

***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

**DILLON COUNTY, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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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.

**E. Participation in Jointly Governed Organization**

Dillon County is a participant in the Dillon, Marion & Marlboro Counties Industrial Park which is a jointly governed organization. The organization is a nonprofit corporation governed by a board composed of the County Council chairpersons, the county administrators and the directors of development of the three respective counties. The organization's purpose is to develop and promote an industrial park at the intersection of I-95 and SC Highway 34 in Dillon County. Once the park is operating, the three counties will split equally all new tax revenues and expenses from the park for 20 years.

**F. Related Party Transactions**

The County provides office space to several state agencies and the Dillon County Chamber of Commerce, all at no charge. The County provides office space to the City of Dillon in the City-County Complex building. In exchange for use of the space, the City pays one-third of the operating expenses of the building which was \$28,266 for fiscal 2016.

**G. Commitments**

The County committed \$3,000,000 payable in three equal installments for construction of a pipeline to supply natural gas to an industry located in the County. Under terms of the commitment, the County paid \$1,000,000 for pipeline installation in fiscal 2016 and will pay the other two installments on December 30, 2016 and December 30, 2017.

**H. Contingent Liabilities**

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

**DILLON COUNTY, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**I. Pending Implementation of GASB 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 Provision 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 2017 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 non-employer 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. 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.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The County will implement the new guidance with the 2017 financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. The County will implement the new guidance with the 2018 financial statements.

GASB Statement No. 82, *Pension issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, requires the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the

**DILLON COUNTY, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. 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.

**J. Subsequent Events**

Management has evaluated subsequent events through March 3, 2017, the date the financial statements were available to be issued. In January 2017, the County authorized issuance and sale of general obligation bonds not exceeding \$3,200,000.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**DILLON COUNTY, SOUTH CAROLINA**  
**BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
<b>REVENUES</b>				
Property taxes and vehicle fees	\$ 8,161,813	\$ 8,161,813	\$ 8,115,513	\$ (46,300)
Sales taxes	2,143,292	2,143,292	2,463,878	320,586
Intergovernmental revenue	2,721,605	2,721,605	3,508,514	786,909
Gifts and grants	-	-	-	-
Licenses and permits	155,200	155,200	157,864	2,664
Charges for services	4,387,901	4,387,901	4,791,080	403,179
Fines, fees, and forfeitures	706,000	706,000	580,756	(125,244)
Interest income	1,500	1,500	3,551	2,051
Other	5,000	5,000	31,988	26,988
Total revenues	18,282,311	18,282,311	19,653,144	1,370,833
<b>EXPENDITURES</b>				
<b>General government administration:</b>				
Assessor	342,560	342,560	325,010	(17,550)
Auditor	105,352	105,352	105,447	95
Code enforcement/building inspection	145,210	145,210	146,603	1,393
County attorney	105,560	105,560	148,980	43,420
County council	535,551	535,551	614,666	79,115
Election/Registration	43,515	43,515	66,378	22,863
Information Technology	72,390	72,390	71,205	(1,185)
Public building maintenance	412,097	412,097	423,921	11,824
Purchasing and finance	161,500	161,500	151,981	(9,519)
Treasurer	371,349	371,349	374,325	2,976
Voter registration	108,468	108,468	152,485	44,017
Miscellaneous general government administration	1,360,147	1,360,147	1,224,159	(135,988)
	3,763,699	3,763,699	3,805,160	41,461
<b>Administration of Justice:</b>				
Clerk of court	503,420	503,420	470,910	(32,510)
Magistrates	360,065	364,605	384,147	19,542
Public Defender	54,000	54,000	40,500	(13,500)
Probate judge	172,680	172,680	192,857	20,177
Miscellaneous administration of justice	144,420	144,420	137,305	(7,115)
	1,234,585	1,239,125	1,225,719	(13,406)
<b>Public Safety and Law Enforcement:</b>				
Ambulance service	1,180,634	1,180,634	1,249,055	68,421
Animal/litter control	195,730	195,730	209,527	13,797
Coroner	105,283	105,283	122,873	17,590
Detention Center	2,425,400	2,425,400	2,611,280	185,880
Disaster preparedness	80,630	80,630	52,072	(28,558)
E911 Service	787,708	787,708	685,642	(102,066)
Fire Department - #5	112,540	112,540	163,839	51,299
Fire Department - Bingham	-	-	31,040	31,040

continued

See note to required supplementary information.

**DILLON COUNTY, SOUTH CAROLINA**  
**BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over (Under)
	Original	Final		
Fire Department - Dillon	188,405	188,405	187,627	(778)
Fire Department - Gaddy's	173,035	173,035	191,851	18,816
Fire Department - Lake View	136,550	136,550	212,411	75,861
Fire Department - Latta	164,210	164,210	192,031	27,821
Fire Department - Oak Grove	79,613	79,613	86,673	7,060
School resource officer	340,000	340,000	280,275	(59,725)
Sheriff	2,125,300	2,131,300	2,149,389	18,089
Victims assistance	60,700	60,700	63,188	2,488
Miscellaneous public safety and law enforcement	86,000	86,000	92,349	6,349
	<u>8,241,738</u>	<u>8,247,738</u>	<u>8,581,122</u>	<u>333,384</u>
<b>Public Works:</b>				
Roads and bridges	823,993	823,993	861,352	37,359
Miscellaneous public works	369,615	369,615	228,508	(141,107)
	<u>1,193,608</u>	<u>1,193,608</u>	<u>1,089,860</u>	<u>(103,748)</u>
<b>Sanitation:</b>				
Convenience sites	318,420	318,420	349,841	31,421
Transfer station	1,535,676	1,535,676	2,020,721	485,045
	<u>1,854,096</u>	<u>1,854,096</u>	<u>2,370,562</u>	<u>516,466</u>
<b>Economic Development:</b>				
Development Board	138,160	138,160	277,054	138,894
Economic development projects	2,035,877	2,035,877	1,114,375	(921,502)
Economic development miscellaneous	214,716	214,716	268,543	53,827
Soil Conservation Service	34,313	34,313	34,313	-
	<u>2,423,066</u>	<u>2,423,066</u>	<u>1,694,285</u>	<u>(728,781)</u>
<b>Social Services, Health, and Welfare:</b>				
Alcohol and Drug Abuse	7,000	7,000	6,225	(775)
Council on Aging	83,085	83,085	75,322	(7,763)
Department of Social Services	32,000	32,000	50,920	18,920
Health Department	26,527	26,527	14,113	(12,414)
Veteran Affairs	71,873	71,873	78,824	6,951
Miscellaneous social services, health and welfare	66,000	66,000	38,983	(27,017)
	<u>286,485</u>	<u>286,485</u>	<u>264,387</u>	<u>(22,098)</u>
<b>Culture and Recreation:</b>				
Library	443,886	443,886	498,067	54,181
Recreation	205,037	205,037	273,882	68,845
	<u>648,923</u>	<u>648,923</u>	<u>771,949</u>	<u>123,026</u>
<b>Debt Service:</b>				
Principal retirement	123,000	123,000	299,733	176,733
Interest	4,000	4,000	14,440	10,440
	<u>127,000</u>	<u>127,000</u>	<u>314,173</u>	<u>187,173</u>
<b>Capital Outlay:</b>				
General government administration	13,000	13,000	339,631	326,631
Administration of justice	9,500	4,960	6,542	1,582

continued

See note to required supplementary information.

**DILLON COUNTY, SOUTH CAROLINA**  
**BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Over
	Original	Final		(Under)
Public safety and law enforcement	225,500	225,500	508,582	283,082
Public works	19,790	19,790	59,274	39,484
Sanitation	50,000	50,000	174,973	124,973
Economic development	-	-	1,365,490	1,365,490
Culture and recreation	-	-	36,602	36,602
	317,790	313,250	2,491,094	2,177,844
Total expenditures	20,090,990	20,096,990	22,608,311	2,511,321
Excess (deficiency) of revenues over (under) expenditures	(1,808,679)	(1,814,679)	(2,955,167)	(1,140,488)
<b>OTHER FINANCING SOURCES</b>				
Proceeds from issuance of debt	1,500,000	1,500,000	2,150,000	650,000
Total other financing sources	1,500,000	1,500,000	2,150,000	650,000
Net change in fund balance	(308,679)	(314,679)	(805,167)	(490,488)
Fund balance, beginning of year	6,937,354	6,937,354	6,937,354	-
Fund balance, end of year	\$ 6,628,675	\$ 6,622,675	\$ 6,132,187	\$ (490,488)

See note to required supplementary information.

**NOTE TO BUDGETARY COMPARISON SCHEDULE -- GENERAL FUND**  
**For the Year Ended June 30, 2016**

**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 THREE 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
2016	0.05%	\$ 9,807,430	\$ 4,779,544	205.20%	57.00%
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%

*Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

**DILLON COUNTY, SOUTH CAROLINA  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY-  
POLICE OFFICERS RETIREMENT SYSTEM  
LAST THREE 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
2016	0.24%	\$ 5,311,019	\$ 2,915,803	182.15%	64.60%
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%

*Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

**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
2016	\$ 528,618	\$ 528,618	\$ -	\$ 4,779,544	11.06%
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%

**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
2016	\$ 400,631	\$ 400,631	\$ -	\$ 2,915,803	13.74%
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%

**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, 2016**

**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)	UAAAL as a percentage of covered payroll ((b-a)/c)
Primary Government							
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%
2016	6/30/2014	\$ -	\$ 2,767,668	\$ 2,767,668	0%	\$ 7,695,347	36.0%

**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				
2014	\$ 265,160	\$ 79,408	\$ 1,060,344	29.9%
2015	\$ 229,294	\$ 71,416	\$ 1,218,222	31.1%
2016	\$ 271,252	\$ 91,341	\$ 1,398,183	33.7%

**OTHER SUPPLEMENTARY INFORMATION**

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**DILLON COUNTY, SOUTH CAROLINA**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

	Special Revenue Funds									Total
	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	
<b>ASSETS</b>										
Cash and cash equivalents	\$ 1,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,664
Receivables, net of allowance for doubtful accounts	-	-	-	-	-	2,211	86,015	21,851	42,780	152,857
Due from other funds	514,281	3,065	178,650	-	82,690	213,017	-	14,770	-	1,006,473
Total assets	\$ 515,945	\$ 3,065	\$ 178,650	\$ -	\$ 82,690	\$ 215,228	\$ 86,015	\$ 36,621	\$ 42,780	\$ 1,160,994
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>										
Liabilities:										
Due to other funds	\$ -	\$ -	\$ -	\$ 994	\$ -	\$ -	\$ 97,206	\$ -	\$ 42,780	\$ 140,980
	-	-	-	994	-	-	97,206	-	42,780	140,980
Deferred inflows of resources:										
Deferred inflows from accounts receivable	-	-	-	-	-	-	52,653	-	-	52,653
Total deferred inflows of resources	-	-	-	-	-	-	52,653	-	-	52,653
Fund Balances (Deficits):										
Unassigned	-	-	-	(994)	-	-	(63,844)	-	-	(64,838)
Restricted for:										
Administration of justice	-	-	-	-	-	215,228	-	-	-	215,228
Public safety and law enforcement	515,945	3,065	-	-	-	-	-	-	-	519,010
Economic development	-	-	178,650	-	82,690	-	-	-	-	261,340
Social services, health, and welfare	-	-	-	-	-	-	-	36,621	-	36,621
Total fund balances (deficits)	515,945	3,065	178,650	(994)	82,690	215,228	(63,844)	36,621	-	967,361
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 515,945	\$ 3,065	\$ 178,650	\$ -	\$ 82,690	\$ 215,228	\$ 86,015	\$ 36,621	\$ 42,780	\$ 1,160,994

**DILLON COUNTY, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICITS) – NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	Special Revenue Funds									Total
	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	
<b>REVENUES</b>										
Taxes - property	\$ -	\$ -	\$ -	\$ 27,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,378
Intergovernmental revenue	-	-	-	-	86,614	34,425	163,056	115,483	168,303	567,881
Gifts and grants	-	3,000	242,500	-	-	-	-	-	-	245,500
Licenses and permits	-	-	-	-	-	-	-	-	88,114	88,114
Fines, fees, and forfeitures	84,192	-	-	-	-	-	-	-	-	84,192
Total revenues	84,192	3,000	242,500	27,378	86,614	34,425	163,056	115,483	256,417	1,013,065
<b>EXPENDITURES</b>										
Current										
Administration of justice	-	-	-	-	-	948	-	-	-	948
Public safety and law enforcement	73,254	6,835	-	-	-	-	125,635	-	256,417	462,141
Economic development	-	-	67,890	-	55,821	-	-	-	-	123,711
Social services, health, and welfare	-	-	-	-	-	-	-	95,000	-	95,000
Capital outlay										
Public safety and law enforcement	37,645	-	-	-	-	-	25,836	-	-	63,481
Total expenditures	110,899	6,835	67,890	-	55,821	948	151,471	95,000	256,417	745,281
Net change in fund balances	(26,707)	(3,835)	174,610	27,378	30,793	33,477	11,585	20,483	-	267,784
Fund balances (deficits), beginning of year	542,652	6,900	4,040	(28,372)	51,897	181,751	(75,429)	16,138	-	699,577
Fund balances (deficits), end of year	\$ 515,945	\$ 3,065	\$ 178,650	\$ (994)	\$ 82,690	\$ 215,228	\$ (63,844)	\$ 36,621	\$ -	\$ 967,361

**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, 2016**

	General Sessions Court	Magistrates Courts	Probate Court	Total
Fines and fees collected	\$ 199,291	\$ 372,578	\$ 19,600	\$ 591,469
Assessments collected	4,297	292,594	-	296,891
Surcharges collected	14,443	130,873	-	145,316
Fines and fees retained by County	(34,575)	(336,956)	(9,720)	(381,251)
Assessments retained by County	(2,298)	(30,337)	-	(32,635)
Surcharges retained by County	(9,025)	(9,160)	-	(18,185)
Fines and assessments remitted to State Treasurer	<u>\$ 172,133</u>	<u>\$ 419,592</u>	<u>\$ 9,880</u>	601,605
Fines and assessments payable to State Treasurer's Office on June 30, 2016				(48,284)
Fines and assessments payable to State Treasurer's Office on June 30, 2015				<u>51,591</u>
Fines and assessments paid to State Treasurer's Office during fiscal year ended June 30, 2016				<u>\$ 604,912</u>
Spent on victims' services:				
From assessments and surcharges				\$ 50,638
Contributed by the Town of Lake View				<u>12,550</u>
				<u>\$ 63,188</u>
Carried forward to fiscal 2017				<u>\$ 182</u>

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# ***REGULATORY SECTION***

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

To the County Council  
Dillon County, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Dillon County, South Carolina (the County), as of and for the year ended June 30, 2016, 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 March 3, 2017.

**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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, listed as item 2016-001.

**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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### **Dillon County's Response to Findings**

Dillon County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Dillon County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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  
March 3, 2017

**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

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 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, 2016. 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.

***Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control over Compliance**

Management of 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, as described in the attached schedule of findings and questioned costs as item 2016-003 that we consider to be a material weakness.

Dillon County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Dillon County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Webster Rogers LLP*

Florence, South Carolina  
March 3, 2017

**DILLON COUNTY, SOUTH CAROLINA**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>Department of Agriculture Pass-through Programs From:</b>				
South Carolina Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None	\$ 12,418	None
<b>Total Department of Agriculture Programs</b>			<u>12,418</u>	
<b>Department of Agriculture Pass-through Programs From:</b>				
South Carolina Forest Service				
Cooperative Forestry Assistance	10.664	None	3,550	None
<b>Total Department of Agriculture Programs</b>			<u>3,550</u>	
<b>Department of Commerce Direct Program:</b>				
Investments for Public Works and Economic Development Facilities	11.300		956,850	None
<b>Department of Housing and Urban Development Pass-through Programs From:</b>				
South Carolina Department of Commerce				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	4-ED-12-004	15,368	None
<b>Total Department of Housing and Urban Development Programs</b>			<u>15,368</u>	
<b>Department of Justice Direct Programs:</b>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		14,644	None
<b>Total Department of Justice Direct Programs</b>			<u>14,644</u>	
<b>Department of Justice Pass-through Programs From:</b>				
South Carolina Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1G11051	21,010	None
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1G14028	52,653	None
<b>Total Department of Justice Pass-through Programs</b>			<u>73,663</u>	
<b>Total Department of Justice Programs</b>			<u>88,307</u>	
<b>Department of Health and Human Services Pass-through Programs From:</b>				
South Carolina Department of Social Services				
Promoting Safe and Stable Families	93.556	None	98	None
Temporary Assistance for Needy Families	93.558	None	11,171	None
Child Support Enforcement	93.563	None	18	None
Child Support Enforcement	93.563	None	948	None
Child Support Enforcement	93.563	None	133,477	None
Child Support Enforcement	93.563	None	4,257	None
			<u>138,700</u>	

Continued

**DILLON COUNTY, SOUTH CAROLINA**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>	<b>Expenditures to Subrecipients</b>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	103	None
ARRA Foster Care Title IV-E	93.658	None	6,015	None
Social Services Block Grant	93.667	None	3,993	None
Medicaid Assistance Program	93.778	None	1,941	None
<b>Total Department of Health and Human Services</b>			<u>162,021</u>	
<b>Department of Homeland Security Pass-through Programs From:</b>				
South Carolina Emergency Management Division				
Emergency Management Performance Grants	97.042	14EMPG01	51,972	None
<b>Total Department of Homeland Security</b>			<u>51,972</u>	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,290,486</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, 2016**

**A. Basis of Presentation**

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, 2016. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Dillon County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Dillon County.

**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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented if applicable.

**C. Indirect Cost Rate**

Dillon County has elected not to use the de minimis 10 percent cost rate allowed for Federal grants under the Uniform Guidance.

**DILLON COUNTY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

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I. SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

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

Internal control over financial reporting:

Material weaknesses identified?   X   Yes        No  
 Significant deficiencies 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?   X   Yes        No  
 Significant deficiencies 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 2 CFR section  
 200.516(a)   X   Yes        No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.300	Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between  
 type A and type B programs **\$750,000**

Auditee qualified as low-risk auditee?        Yes   X   No

**DILLON COUNTY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

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**II. – Financial Statement Findings**

2016-001 Internal control procedure over reimbursement requests not adhered to or incomplete

*Criteria and Condition:* Internal control should be sufficient to prevent the same invoice from being submitted for reimbursement for two separate federal grants. If not, the County could overstate revenue by amounts to which it is not legally entitled. During our audit work, we found that two invoices were both submitted for reimbursement under provisions of two separate federal grants.

*Context:* The County was awarded both a CDBG grant and an EDA grant to assist with funding a significant economic development project. In fiscal 2016, the EDA grant was a major federal program reported on the County's schedule of expenditures of federal awards (SEFA).

The County requested and received reimbursement for \$276,127 under terms of the CDBG grant. However, after a monitoring visit determined the project work did not meet grant specifications, the County returned the entire \$276,127 to the grantor and the County correctly did not include these funds as federal expenditures on its 2016 (SEFA). As a result of audit procedures not related to our Single Audit, we noted that the two paid invoices used to request the CDBG reimbursement were also used, among others, to request reimbursement for the EDA grant. The expenditures were properly reported on the County's SEFA as EDA expenditures and the County received reimbursement from the U. S. Department of Commerce.

*Cause:* The County lacks procedures to ensure that claims for reimbursement are not duplicated under both the CDBG and EDA federal programs.

*Effect:* Although in this instance, the County did not ultimately receive duplicate reimbursement for the same expenditures; the design and/or operation of procedures (or lack thereof) is such that it is reasonably possible that a material misstatement of the County's financial statements could occur and not be prevented, or detected on a timely basis.

*Recommendations:* Appropriate written policies and procedures should be established to ensure that claims for reimbursement under grant programs are not duplicated.

*Views of Responsible  
Officials and Planned  
Corrective Actions:*

Dillon County had obtained a Third Party to administer its grant program for the CDBG Grant and the EDA Grant. Since the date of the exit conference, Dillon County has discussed the above deficiency with its Third Party Grant Administrator, concerning the duplicate reimbursement request. Dillon County has adopted a procedure to monitor all grant reimbursements to insure all claims for reimbursements are not duplicated.

**DILLON COUNTY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

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III. – Findings and Question Costs – Major Federal Awards Programs

2016-002                    CFDA No. 11.300 Investments for Public Works and Economic Development Facilities - Department of Commerce; Grant Number - 04-01-06875 - Grant period - Year Ended June 30, 2016.

*Criteria and Condition:* Program requires for semi-annual financial reports and quarterly progress reports to be filed by specified dates.

*Context:*                    Audit test revealed that financial and progress reports were not timely filed.

*Cause:*                     Procedures are in place to identify requirement but an administrative error was made.

*Effect:*                    The County was not in compliance with grant requirements.

*Recommendation:*     Dillon County should verify that all required reporting dates are noted and reports are timely filed.

*Views of Responsible  
Officials and Planned  
Corrective Actions:*

Dillon County had obtained a Third Party to administer its grant program for the EDA Grant. Dillon County has discussed the above procedure with it Third Party Grant Administrator, concerning the matter of the progress reports not being filed in a timely matter. Since the date of the exit conference, Dillon will verify that all required reporting dates are noted and reports are timely filed.

2016-003                    CFDA No. 11.300 Investments for Public Works and Economic Development Facilities - Department of Commerce; Grant Number - 04-01-06875 - Grant period - Year Ended June 30, 2016.

Internal control procedure over reimbursement requests not adhered to or incomplete

Refer to II. Financial Statement Findings for details on finding (2016-001)

**DILLON COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2016**

There were no prior year audit findings.