

Fairfield County, South Carolina

Report on Financial Statements

For the fiscal year ended June 30, 2018

Fairfield County, South Carolina

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Financial Section

Independent Auditor's Report

Honorable Chairman and
Members of the County Council
Fairfield County, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fairfield County, South Carolina (the "County") as of and for the year ended June 30, 2018, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Fairfield County Library Commission and Fairfield County Council on Aging were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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 units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of New Accounting Standard

As described in Notes 1 and 12 to the financial statements, the County adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule (GAAP Basis) - General Fund, Schedule of Changes in the County's Total OPEB Liability and Related Ratios, Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of the County's Contributions Related to the Pension Liability, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements, Schedule of Budget to Actual Costs - South Carolina Department of Transportation Contracts, Schedule of Court Fines, Surcharges and Assessment Activity - Victim's Assistance Fund, Computation of Legal Debt Margin, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, Schedule of Court Fines, Surcharges and Assessment Activity - Victim's Assistance Fund, Computation of Legal Debt Margin, and 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 and individual fund financial statements, Schedule of Court Fines, Surcharges and Assessment Activity - Victim's Assistance Fund, Computation of Legal Debt Margin, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Budget to Actual Costs - South Carolina Department of Transportation Contracts has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
March 11, 2019

Fairfield County, South Carolina

Management's Discussion and Analysis

For the fiscal year ended June 30, 2018

As management of Fairfield County (the "County"), we offer readers of our financial statements, this narrative overview and analysis of the financial activities for the year ended June 30, 2018. Please read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which immediately follow this section.

Statistical Data

- Approximately 710 square miles
- Within 30 miles of the geographic center of South Carolina (the "State")
- Population of approximately 24,000
- Bordered on the:
 - South by Richland County whose county seat is Columbia, the State capital
 - East by the Wateree River
 - West by the Broad River
 - North by Chester County
- Highways
 - Serviced North and South by Interstate 77 and US Highways 321 and 21
 - Serviced East and West by State Highways 34, 200, 213, 215, and 269
- Rail
 - Serviced North and South by Norfolk Southern Rail Way
- Air
 - 5,000-foot runway general aviation airport owned by the County and operated by a private contractor
- Governed by a 7 person County Council elected on a non-partisan basis from their respective districts. Operating under the State of South Carolina Home Rule, County Council has adopted the Council/Administrator form of government.

Geographically, the County is positioned to begin benefiting from the growth of our sister county to the South, Richland County, home of the State capital. We provide a quality of life envied by most, a small town atmosphere and friendliness, with a short commuting distance to more urban economic centers. Our tax base is stable as the largest taxpayer is an energy producing facility; however, we recognize the need to diversify our economy. Therefore, County Council is concentrating many resources to develop several industrial parks where businesses may locate and provide employment to our citizens.

In addition to providing funding to develop the industrial parks, we must be about the business of administering a county government. This is an expensive undertaking. With unfunded mandates from higher levels of government and diminishing revenue sources, we must look for ways to minimize the tax burden on our citizens. We are approaching this on two fronts: (1) broadening the tax base through increased economic development and (2) having intense operational reviews of expenditures. Our expenditure reviews include the traditional items such as: competitive bidding, extending the period for filling vacancies, eliminating overtime, etc. Some non-traditional, cost cutting ideas include better training of employees as well as containing and reducing expenditures in areas such as insurance, risk management, safety, workers' compensation, and unemployment compensation.

Fairfield County, South Carolina

Management's Discussion and Analysis For the fiscal year ended June 30, 2018

Financial Highlights

- The County's financial condition has continued to maintain revenues at a relatively constant level over this period.
- **Net position** - The County's governmental activities total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at June 30, 2018 by \$36.7 million (net position).
- **Change in net position** - The County's net position decreased over the course of this year's operations. Net position of the governmental activities decreased by \$96,000. This decrease was due to the implementation of GASB Statement No. 75 which resulted in a restatement of beginning net position as of July 1, 2017. The impact of this restatement was a reduction in beginning net position as of July 1, 2017 of \$2.6 million.
- **General fund** - The principal operating fund of the County is the general fund. During fiscal year 2018, general fund revenues and other financing sources, which primarily consisted of property taxes and sales taxes were \$30.8 million. Expenditures and net transfers out of the general fund were \$31.2 million. This resulted in a decrease in the fund balance for the year of \$408,000.
- **General fund budget** - The general fund actual revenues were greater than the final budgeted amounts by \$307,000 due primarily to greater than expected collections of sales taxes and intergovernmental revenues. General fund actual expenditures were less than the final budgeted amounts by \$1.7 million. This variance is primarily due to department directors making frugal decisions in regards to purchases and employee staffing.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This section will not include discussion related to the component units of the County. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements (Statement of Net Position and Statement of Activities) are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. These statements outline functions of the County that are principally supported by property taxes, State aid, intergovernmental grants and various charges for services, fines and fees. The governmental activities of the County include general government, public safety, public works, environment and housing, health and welfare, judicial, cultural and recreation, and non-departmental allocations expenditures.

The Statement of Net Position presents information on all of the County's total assets and deferred outflows and total liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused compensated absences).

Fairfield County, South Carolina

Management's Discussion and Analysis

For the fiscal year ended June 30, 2018

Overview of the Financial Statements, continued

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary funds - The County is the trustee, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The County excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 to 53.

Supplementary information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further supports the financial statements with a comparison of the County's budget for the fiscal year and other supplementary information schedules.

Financial Analysis of the County as a Whole

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$36.7 million as of June 30, 2018.

By far the largest portion of the County's net position reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, leasehold improvements, infrastructure, machinery and equipment, and software), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Fairfield County, South Carolina

Management's Discussion and Analysis

For the fiscal year ended June 30, 2018

Financial Analysis of the County as a Whole, continued

The County's financial position is the product of the following transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the County's net position for the following fiscal years ended June 30:

(Dollars in thousands)	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Current and other assets	\$ 37,023	\$ 42,804	(13.5)%
Capital assets, net	<u>58,555</u>	<u>51,625</u>	13.4%
Total assets	<u>95,578</u>	<u>94,429</u>	1.2%
Deferred outflows of resources	<u>6,250</u>	<u>3,865</u>	61.7%
Current liabilities	3,727	3,263	14.1%
Long-term liabilities	<u>59,569</u>	<u>54,946</u>	8.4%
Total liabilities	<u>63,296</u>	<u>58,209</u>	8.7%
Deferred inflows of resources	<u>1,852</u>	<u>689</u>	168.8%
Net position			
Net investment in capital assets	35,569	32,776	8.5%
Restricted	6,404	4,286	49.4%
Unrestricted	<u>(5,293)</u>	<u>2,334</u>	(326.8)%
Total net position	<u>\$ 36,680</u>	<u>\$ 39,396</u>	(6.9)%

Change in net position - The County's total revenues for the fiscal year ended June 30, 2018 were \$37.7 million. The total cost of all programs and services was \$37.8 million. The section below presents a summary of the activity that resulted in changes in net position for the following fiscal years ended June 30:

(Dollars in thousands)	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Revenues			
Program revenues			
Charges for services	\$ 2,877	\$ 3,386	(15.0)%
Operating grants and contributions	1,516	1,325	14.4%
Capital grants and contributions	2,388	4,485	(46.8)%
General revenues			
Property and accommodations taxes	26,815	25,092	6.9%
Sales taxes	1,809	2,191	(17.4)%
Investment income	135	52	159.6%
Intergovernmental	1,510	1,711	(11.7)%
Gain (loss) on sale of capital assets	59	31	90.3%
Other	<u>621</u>	<u>3,058</u>	(79.7)%
Total revenues	<u>37,730</u>	<u>41,331</u>	(8.7)%

Fairfield County, South Carolina

Management's Discussion and Analysis

For the fiscal year ended June 30, 2018

Financial Analysis of the County as a Whole, continued

Expenses

General government	12,105	11,311	7.0%
Public safety	7,802	7,301	6.9%
Public works and utilities	3,483	3,234	7.7%
Health and welfare	10,088	9,321	8.2%
Judicial	1,246	1,175	6.0%
Cultural and recreation	1,948	1,622	20.1%
Interest and fiscal charges	1,154	1,203	(4.1)%
Total expenses	<u>37,826</u>	<u>35,167</u>	7.6%
Change in net position	<u>\$ (96)</u>	<u>\$ 6,164</u>	(101.6)%

Compared to fiscal year 2017, the County's revenues and expenses changed due primarily to the following:

- **Property and accommodations taxes** - During fiscal year 2018, property taxes increased by approximately \$1.7 million. The primary reason for the increase is related to increased assessed values of three properties associated with the nuclear plant.
- **Capital grants and contributions** – The decrease of approximately \$2.1 million is primarily due to the \$3 million that the County received from the State during fiscal year 2017 as a one-time contribution toward a major business park project that is being developed by the County's economic development department. However, the County did receive approximately \$1 million more in transportation and rural infrastructure funds from the State during fiscal year 2018.
- **Other revenue** – Other revenue decreased approximately \$2.4 million in fiscal year 2018. This decrease is due to the County receiving a one-time payment for this amount in fiscal year 2017 to be used toward the purchase of property associated with the Mega Site Project.

Reconciliation of changes in net position:

Net position, beginning of year, as originally stated	\$ 39,396,039
Implementation effect of GASB Statement No. 75	<u>(2,619,858)</u>
Net position, beginning of year, as restated	36,776,181
Change in net position	<u>(95,766)</u>
Net position, end of year	<u>\$ 36,680,415</u>

Fairfield County, South Carolina

Management's Discussion and Analysis

For the fiscal year ended June 30, 2018

Financial Analysis of the County as a Whole, continued

Governmental activities - The table below presents the cost of the seven major functional activities: general government, public safety, public works and utilities, health and welfare, judicial, cultural and recreation, and interest and fiscal charges. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and County's taxpayers by each of these functions.

(Dollars in thousands)	<u>Total Expenses</u>	<u>Net Expense</u>
General government	\$ 12,105	\$ (10,467)
Public safety	7,802	(7,633)
Public works and utilities	3,483	(1,037)
Health and welfare	10,088	(8,169)
Judicial	1,246	(736)
Cultural and recreation	1,948	(1,849)
Interest and fiscal charges	1,154	(1,154)
Total expenses	<u>\$ 37,826</u>	<u>\$ (31,045)</u>

The cost of all governmental activities this year was \$37.8 million. Expenses consist primarily of general government, public safety, and health and welfare totaling \$12.1 million, \$7.8 million and \$10.1 million, respectively. The net cost of governmental activities was \$31.0 million which was financed by general revenues and beginning net position. General revenues consist primarily of property and accommodations taxes of \$26.8 million.

Financial Analysis of the County's Funds

Governmental funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$33.3 million. Of this combined fund balance, \$13.2 million or 39.6% is unassigned and therefore available for spending at the County's discretion.

The general fund is the principal operating fund of the County. The decrease in fund balance in the general fund for the fiscal year was \$408,000, which was mainly the result of expenditures exceeding revenues.

Fairfield County, South Carolina

Management's Discussion and Analysis

For the fiscal year ended June 30, 2018

Capital Assets and Debt Administration

Capital Assets - As of June 30, 2018, the County had invested, net of related debt, \$35.6 million in capital assets, including land, land improvements, buildings and improvements, leasehold improvements, infrastructure, machinery and equipment and software. Total depreciation expense for the year was approximately \$3.0 million.

The schedule below presents capital asset balances, net of depreciation, for the fiscal year ended June 30, 2018.

Capital assets, not being depreciated	
Land	\$ 11,358,858
Construction in progress	<u>11,003,206</u>
	<u>22,362,064</u>
Capital assets, being depreciated	
Land improvements	23,689,956
Buildings and improvements	28,529,570
Leasehold improvements	1,658,079
Infrastructure	6,724,974
Machinery and equipment	21,762,554
Software	<u>400,282</u>
	82,765,415
Less accumulated depreciation	<u>(46,572,363)</u>
Total capital assets, being depreciated, net	<u>36,193,052</u>
Net capital assets	<u>\$ 58,555,116</u>

Debt Administration - At year end, the County had \$28,703,431 in general obligation and revenue bonds, net of unamortized bond discounts, of which \$1,057,310 is due within one year.

Economic Factors and Budgetary Projections

Unlike a typical county, the County's revenue stream is relatively constant. This is due primarily to a licensed electrical generating facility located in our county, which accounts for approximately 41% of our property tax revenues. The facility received an extension to its operating license through 2042, which gives us a measure of comfort; however, we are very careful not to abuse this revenue source. Taking this revenue source into account and the other economic factors in our community, our budget philosophy is to be socially responsible within a very conservative fiscal approach. We expect this trend will continue over future budgets.

Request for Information

This financial report is designed to provide the County's citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Comptroller, Fairfield County, 350 Columbia Road, Post Office Drawer 60, Winnsboro, South Carolina 29180.

Audited financial statements of the County's component units may be obtained by written request to Fairfield County Council, Post Office Drawer 60, Winnsboro, South Carolina 29180.

Fairfield County, South Carolina
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 11,921,807
Amounts held in escrow	4,020,389
Taxes receivable, net	745,604
Accounts receivable, net	1,371,446
Investments	15,006,833
Due from other governments	2,567,833
Prepaid items	245,526
Land and building held for sale	1,144,000
Capital assets, not being depreciated	22,362,064
Capital assets, being depreciated net	36,193,052
Total assets	<u>95,578,554</u>
Deferred outflows of resources	
Deferred outflows related to net pension liability	<u>6,250,399</u>
Total deferred outflows of resources	<u>6,250,399</u>
Liabilities	
Accounts payable	1,949,431
Retainage payable	330,621
Accrued liabilities	675,636
Due to taxpayers	3,244
Due to other agencies	202,298
Due to component unit	215,705
Due to other governments	2,200
Accrued interest payable	348,000
Long-term liabilities	
Due within one year	1,127,989
Due in more than one year	28,325,460
Net pension liability	25,250,326
Total OPEB liability	<u>4,865,779</u>
Total liabilities	<u>63,296,689</u>
Deferred inflows of resources	
Deferred inflows related to net pension liability	<u>1,851,849</u>
Total deferred inflows of resources	<u>1,851,849</u>
Net Position	
Net investment in capital assets	35,568,689
Restricted for:	
General government programs	34,905
Public safety programs	88,290
Health and welfare programs	4,966,647
Judicial programs	139,662
Cultural and recreation programs	187,747
Debt service	987,492
Unrestricted	<u>(5,293,017)</u>
Total net position	<u>\$ 36,680,415</u>

See Notes to Basic Financial Statements

Fairfield County, South Carolina
Statement of Activities
For the fiscal year ended June 30, 2018

Functions/Programs	Expenses	Program revenues			Net revenue (expense) and changes in net position
		Charges for sales and service	Operating grants and contributions	Capital grants and contributions	Governmental activities
Governmental activities					
General government	\$ 12,104,553	\$ 288,725	\$ 722,918	\$ 625,940	\$ (10,466,970)
Public safety	7,802,053	38,401	130,060	-	(7,633,592)
Public works and utilities	3,483,232	619,974	64,083	1,762,487	(1,036,688)
Health and welfare	10,088,727	1,443,790	475,842	-	(8,169,095)
Judicial	1,246,126	387,275	122,753	-	(736,098)
Cultural and recreation	1,947,803	99,017	-	-	(1,848,786)
Interest and fiscal charges	1,153,659	-	-	-	(1,153,659)
Total governmental activities	37,826,153	2,877,182	1,515,656	2,388,427	(31,044,888)
Total	\$ 37,826,153	\$ 2,877,182	\$ 1,515,656	\$ 2,388,427	
General revenues:					
Property taxes					26,628,308
Sales tax					1,808,993
Accommodations tax					186,984
Investment income					134,713
Intergovernmental					1,509,634
Gain on sale of capital assets					59,052
Other					621,438
Total general revenues					30,949,122
Change in net position					(95,766)
Net position, beginning of year, as originally stated					39,396,039
Implementation effect of GASB No. 75					(2,619,858)
Net position, beginning of year, as restated					36,776,181
Net position, end of year					\$ 36,680,415

Fairfield County, South Carolina

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	Fairfield Facilities Corporation	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 27,130	\$ 7,226,602	\$ 4,668,075	\$ 11,921,807
Amounts held in escrow	4,020,389	-	-	4,020,389
Taxes receivable, net	711,542	-	34,062	745,604
Accounts receivable, net	1,350,250	-	21,196	1,371,446
Investments	15,006,833	-	-	15,006,833
Due from other funds	2,308,306	-	1,500,000	3,808,306
Due from other governments	1,203,979	-	1,363,854	2,567,833
Prepaid items	39,451	178,572	27,503	245,526
Land and building held for sale	-	-	1,144,000	1,144,000
Total assets	<u>\$ 24,667,880</u>	<u>\$ 7,405,174</u>	<u>\$ 8,758,690</u>	<u>\$ 40,831,744</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 424,549	\$ 1,084,153	\$ 440,729	\$ 1,949,431
Retainage payable	-	301,775	28,846	330,621
Accrued liabilities	642,384	-	33,252	675,636
Due to other funds	1,500,000	123,670	2,184,636	3,808,306
Due to taxpayers	3,244	-	-	3,244
Due to other agencies	2,298	-	200,000	202,298
Due to component unit	215,705	-	-	215,705
Due to other governments	2,200	-	-	2,200
Total liabilities	<u>2,790,380</u>	<u>1,509,598</u>	<u>2,887,463</u>	<u>7,187,441</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>336,308</u>	<u>-</u>	<u>16,417</u>	<u>352,725</u>
Total deferred inflows of resources	<u>336,308</u>	<u>-</u>	<u>16,417</u>	<u>352,725</u>
Fund balances				
Nonspendable				
Prepaid items	39,451	178,572	27,503	245,526
Restricted				
General government	-	-	34,905	34,905
Public safety	-	-	88,290	88,290
Health and welfare	4,020,389	-	946,258	4,966,647
Judicial	-	-	139,662	139,662
Cultural and recreation	-	-	187,747	187,747
Debt service	-	-	987,492	987,492
Capital outlay	-	5,717,004	-	5,717,004
Committed				
General government	3,480,000	-	-	3,480,000
Public works and utilities	-	-	1,136,962	1,136,962
Health and welfare	760,000	-	-	760,000
Cultural and recreation	-	-	35,559	35,559
Capital outlay	-	-	2,271,334	2,271,334
Unassigned	<u>13,241,352</u>	<u>-</u>	<u>(902)</u>	<u>13,240,450</u>
Total fund balances	<u>21,541,192</u>	<u>5,895,576</u>	<u>5,854,810</u>	<u>33,291,578</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,667,880</u>	<u>\$ 7,405,174</u>	<u>\$ 8,758,690</u>	<u>\$ 40,831,744</u>

See Notes to Basic Financial Statements

Fairfield County, South Carolina
**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018**

Total governmental fund balances \$ 33,291,578

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Historical cost of capital assets	\$ 105,127,479	
Accumulated depreciation	(46,572,363)	
		58,555,116

Some of the County's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds. 352,725

Net pension liability, total other post-employment benefit liability, and accrued compensated absences reported in the Statement of Net Position do not require the use of current financial resources and therefore are not reported in the funds.

Deferred outflows related to net pension liability	6,250,399	
Deferred inflows related to net pension liability	(1,851,849)	
Net pension liability	(25,250,326)	
Total OPEB liability	(4,865,779)	
Accrued compensated absences	(750,018)	
		(26,467,573)

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable, net of unamortized bond discounts	(28,703,431)	
Accrued interest payable	(348,000)	
		(29,051,431)

Net position of governmental activities \$ 36,680,415

Fairfield County, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the fiscal year ended June 30, 2018

	General Fund	Fairfield Facilities Corporation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 24,952,680	\$ -	\$ 1,656,455	\$ 26,609,135
Sales tax	1,808,993	-	-	1,808,993
Intergovernmental	1,509,634	-	3,904,083	5,413,717
Licenses, permits, fines and fees	703,458	-	324,915	1,028,373
Charges for services	1,454,897	-	393,912	1,848,809
Investment income	56,379	77,580	754	134,713
Other	287,737	-	333,701	621,438
Total revenues	30,773,778	77,580	6,613,820	37,465,178
Expenditures				
General government	8,655,441	-	932,242	9,587,683
Public safety	6,963,983	-	219,973	7,183,956
Public works and utilities	1,383,362	-	1,924,596	3,307,958
Health and welfare	8,315,058	-	1,102,379	9,417,437
Judicial	1,112,407	-	72,581	1,184,988
Cultural and recreation	1,698,468	-	156,126	1,854,594
Capital outlay	-	4,615,543	5,269,248	9,884,791
Debt service				
Principal retirement	-	10,000	1,027,795	1,037,795
Interest and fiscal charges	-	895,358	251,306	1,146,664
Total expenditures	28,128,719	5,520,901	10,956,246	44,605,866
Excess (deficiency) of revenues over (under) expenditures	2,645,059	(5,443,321)	(4,342,426)	(7,140,688)
Other financing sources (uses)				
Proceeds from general obligation bonds	-	-	614,000	614,000
Proceeds from sale of capital assets	-	-	59,052	59,052
Transfers in	42,974	896,026	3,095,937	4,034,937
Transfers out	(3,095,937)	-	(939,000)	(4,034,937)
Total other financing sources (uses)	(3,052,963)	896,026	2,829,989	673,052
Net change in fund balances	(407,904)	(4,547,295)	(1,512,437)	(6,467,636)
Fund balances, beginning of year	21,949,096	10,442,871	7,367,247	39,759,214
Fund balances, end of year	\$ 21,541,192	\$ 5,895,576	\$ 5,854,810	\$ 33,291,578

See Notes to Basic Financial Statements

Fairfield County, South Carolina
**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the fiscal year ended June 30, 2018**

Total net change in fund balance - governmental funds \$ (6,467,636)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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

Capital outlay	\$ 9,884,791	
Depreciation expense	<u>(2,954,694)</u>	
		6,930,097

The proceeds from the disposal of capital assets are reported as revenue in the governmental funds. The cost of the capital assets are removed from the capital asset account on the Statement of Net Position and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the Statement of Activities.

Gain on sale of capital assets	59,052	
Proceeds from sale of capital assets	<u>(59,052)</u>	
		-

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 206,157

Some expenses for pensions, other post-employment benefit obligation costs, and compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net pension liability	(959,613)	
Total OPEB liability	(234,178)	
Accrued compensated absences	<u>12,607</u>	
		(1,181,184)

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 the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of losses on debt refundings, premiums and discounts, when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term debt and related accounts, together with governmental activities accruals for accrued interest are as follows:

Bond proceeds	(614,000)	
Bond repayments	1,037,795	
Amortization of bond discounts	(23,322)	
Accrued interest payable	<u>16,327</u>	
		<u>416,800</u>

Change in net position of governmental activities \$ (95,766)

Fairfield County, South Carolina**Statement of Fiduciary Net Position****June 30, 2018**

Assets

Cash and cash equivalents	\$	23,832,158
Taxes receivable, net		<u>736,604</u>
Total assets	\$	<u><u>24,568,762</u></u>

Liabilities

Accounts payable	\$	8,493
Amounts held for others		770,847
Due to other governments		<u>23,789,422</u>
Total liabilities	\$	<u><u>24,568,762</u></u>

Fairfield County, South Carolina
Governmental Discretely Presented Component Unit
Fairfield County Library Commission
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 263,563
Accounts receivable	28,978
Investments	702
Prepaid items	11,895
Due from primary government	215,705
Capital assets, being depreciated net	622,847
Total assets	<u>1,143,690</u>
Deferred outflows of resources	
Deferred outflows related to net pension liability	<u>129,233</u>
Total deferred outflows of resources	<u>129,233</u>
Liabilities	
Accrued liabilities	10,935
Long-term liabilities	
Accrued compensated absences - due within one year	6,444
Accrued compensated absences - due after one year	6,633
Net pension liability	624,922
Net OPEB liability	213,541
Total liabilities	<u>862,475</u>
Deferred inflows of resources	
Deferred inflows related to net pension liability	<u>53,349</u>
Total deferred inflows of resources	<u>53,349</u>
Net Position	
Investment in capital assets	622,847
Restricted for:	
Nonexpendable	171,657
Capital outlay	10,557
Unrestricted	(447,962)
Total net position	<u>\$ 357,099</u>

Fairfield County, South Carolina
Governmental Discretely Presented Component Unit
Fairfield County Library Commission
Statement of Activities
For the fiscal year ended June 30, 2018

	Expenses	Program revenues		Net revenue (expense) and changes in net position
		Charges for sales and service	Operating grants and contributions	Governmental activities
Functions/Programs				
Governmental activities				
Library services	\$ 702,083	\$ 18,100	\$ 101,364	\$ (582,619)
General revenues:				
County appropriations				693,076
Investment income				2,497
Gifts and donations				6,973
Miscellaneous revenue				18,785
Loss on disposal of capital assets				(234)
Total general revenues				721,097
Change in net position				138,478
Net position, beginning of year				421,884
Implementation effect of GASB No. 75				(203,263)
Net position, beginning of year, as restated				218,621
Net position, end of year				\$ 357,099

Fairfield County, South Carolina
Nongovernmental Discretely Presented Component Units
Statements of Financial Position
June 30, 2018

	Fairfield Behavioral Health Services	Fairfield County Council on Aging	Total
Assets			
Cash	\$ 192,887	\$ 383,046	\$ 575,933
Receivables	28,743	66,141	94,884
Certificates of deposit	153,581	-	153,581
Prepaid expenses	-	2,528	2,528
Property and equipment, net	1,739,544	296,343	2,035,887
Total assets	<u>\$ 2,114,755</u>	<u>\$ 748,058</u>	<u>\$ 2,862,813</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 41,729	\$ 14,090	\$ 55,819
Accrued compensated absences	27,038	2,070	29,108
Capital lease payable	-	3,892	3,892
Notes payable	997,148	-	997,148
Total liabilities	<u>1,065,915</u>	<u>20,052</u>	<u>1,085,967</u>
Net assets			
Unrestricted	<u>1,048,840</u>	<u>728,006</u>	<u>1,776,846</u>
Total net assets	<u>1,048,840</u>	<u>728,006</u>	<u>1,776,846</u>
Total liabilities and net assets	<u>\$ 2,114,755</u>	<u>\$ 748,058</u>	<u>\$ 2,862,813</u>

Fairfield County, South Carolina
Nongovernmental Discretely Presented Component Units
Statements of Activities
For the fiscal year ended June 30, 2018

	Fairfield Behavioral Health Services	Fairfield County Council on Aging	Total
Changes in unrestricted net assets:			
Revenues and other support			
Local	\$ -	\$ 391,542	\$ 391,542
County appropriations	52,289	93,411	145,700
State contracts	-	54,737	54,737
Client fees	95,463	-	95,463
Medicaid	13,216	-	13,216
Minibottle	50,199	-	50,199
Investment income	2,193	304	2,497
Other	26,953	39,639	66,592
Net assets released from restrictions	969,300	27,167	996,467
Total revenues, gains and other support	<u>1,209,613</u>	<u>606,800</u>	<u>1,816,413</u>
Expenses			
Program services	451,885	408,942	860,827
Supporting services	239,756	160,684	400,440
Total expenses	<u>691,641</u>	<u>569,626</u>	<u>1,261,267</u>
Change in unrestricted net assets	<u>517,972</u>	<u>37,174</u>	<u>555,146</u>
Changes in temporarily restricted net assets:			
Federal	222,715	-	222,715
State	29,265	-	29,265
Other	13,750	-	13,750
Grants	62,858	27,167	90,025
State contract	16,419	-	16,419
Net assets released from restrictions	(969,300)	(27,167)	(996,467)
Change in temporarily restricted net assets	<u>(624,293)</u>	<u>-</u>	<u>(624,293)</u>
Change in net assets	<u>(106,321)</u>	<u>37,174</u>	<u>(69,147)</u>
Net assets, beginning of year			
Unrestricted	530,868	690,832	1,221,700
Temporarily restricted	624,293	-	624,293
	<u>1,155,161</u>	<u>690,832</u>	<u>1,845,993</u>
Net assets, end of year			
Unrestricted	<u>1,048,840</u>	<u>728,006</u>	<u>1,776,846</u>
	<u>\$ 1,048,840</u>	<u>\$ 728,006</u>	<u>\$ 1,776,846</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies

Fairfield County, South Carolina (the "County") is a political subdivision of the State of South Carolina (the "State"), operating under the provisions of South Carolina 2975 Act No. 283 (Home Rule Act) using a Council-Administrator form of government to provide services authorized by its charter. The County is governed by an elected Board (County Council) which is governed by State statutes and regulations.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are presented in conformity with GASB Codification Sec. 2200, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The more significant of the County's accounting policies are described below.

A. Reporting Entity

Using the criteria of GASB Codification Sec. 2100, 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 and for which the nature and significance of their relationship, with the primary government, are such that exclusion could cause the County's financial statements to be misleading or incomplete.

Financial accountability is defined as appointment of a voting majority of the separate organization's board and either (a) the ability to impose will by the primary government, or (b) the possibility that the separate organization will provide a financial benefit to or impose a financial burden on the primary government. "Blended" component units are separate entities that are, substantially, part of the primary government's operations and are combined with financial data of the primary government. "Discretely presented" component units, on the other hand, are reported on separately to emphasize that they are legally separate from the operations of the primary government. A summary of the County's blended and discretely presented component units follows:

Blended Component Unit - During fiscal year 2013, the County created the Fairfield Facilities Corporation (the "Corporation") to facilitate the issuance of debt for the County. The activities of the Corporation have been "blended" with the County and are presented as a major fund for fiscal year 2018. County Council appoints the officers and directors of the Corporation. The Corporation does not issue separate financial statements.

Discretely Presented Component Unit - Using the criteria of GASB Codification Sec. 2100, the County has three discretely presented component units and all have a June 30 fiscal year end.

Fairfield County Library Commission - Fairfield County Library Commission (the "Library Commission") was established as the designated authority to provide a public library system to the residents of the County. The County provides the Library Commission with an annual appropriation which is the majority of the Library Commission's operating revenue. County Council appoints members of the Library Commission's Board, which is the Library Commission's governing authority. The Library Commission's Board is responsible for the hiring and termination of management personnel. Accordingly, the Library Commission is considered to be a component unit of the County and its financial position and results of operations have been reported in the financial statements of the County.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies - (Continued)

A. Reporting Entity - (Continued)

Fairfield County Council on Aging - Fairfield County Council on Aging (the "Council on Aging") was created to meet certain needs of the elderly in the County. County Council appoints all of the members of the Council on Aging. Accordingly, the Council on Aging is considered to be a component unit of the County and its assets and liabilities and revenues and expenses have been reported in the financial statements of the County.

Fairfield Behavioral Health Services - Fairfield Behavioral Health Services (the "Agency") was organized to provide comprehensive services for victims of alcohol and drug abuse in the County. County Council appoints all of the members of the Agency's Board of Directors, which is the Agency's governing authority. Accordingly, the Agency is considered to be a component unit of the County and its assets and liabilities and revenues and expenses have been reported in the financial statements of the County.

Audited financial statements of the discretely presented component units may be obtained by written request to Fairfield County Council, Post Office Drawer 60, Winnsboro, South Carolina 29180.

B. Basis of Presentation

The statements of the County are presented as follows:

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities. The County has no activities considered to be business-type activities.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and; therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, including taxes, which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements - Fund financial statements report detailed information about the County. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus and Basis of Accounting

Fund Accounting

The accounts of the County and its component units are organized and operated on the basis of funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The government reports the following major governmental funds:

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

A portion of the general fund fund balance has been committed for certain contingencies including loss of fee in lieu due to plant closings, property insurance increases, and additional operating funds required for the Fairfield Memorial Hospital.

Fairfield Facilities Corporation - The Fairfield Facilities Corporation is a capital project fund used to account for the issuance of revenue bonds and the acquisition of capital assets from the bond proceeds.

Additionally, the government reports the following nonmajor fund types:

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

The County also maintains an agency fund which accounts for monies held on behalf of school districts, special districts and other agencies that use the County as a depository for property taxes and/or State funds collected on behalf of the other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: delinquent taxes, sales tax, grants, interest, fees and charges for services.

Expenses / Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Interfund Activity

Reallocation of resources between funds of the reporting entity are classified as interfund transfers and are reported as operating transfers. For purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

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 the County's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance/Net Position

Cash and Cash Equivalents and Investments - For purposes of the Statement of Net Position, the County considers all liquid non-equity investments with an original maturity of three months or less to be cash equivalents. Such investments consist primarily of amounts in the South Carolina local government investment pool. Investments are carried at fair value, which approximates cost.

State statutes authorize the County to invest in:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
4. Repurchase agreements when collateralized by securities as set forth in this section;
5. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of the County, if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1) and (4) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

Receivables and Payables - All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The allowance for trade accounts receivable is computed based upon an estimate of collections within each aging category. The allowance for property taxes receivable is based upon a composite average of each delinquent tax year's collections to the outstanding balance at the beginning of the fiscal year.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance/Net Position - (Continued)

At June 30, 2018, receivables for the County's individual major funds and other nonmajor governmental funds in the aggregate including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Taxes	\$ 748,992	\$ 35,855	\$ 784,847
Accounts	<u>2,175,275</u>	<u>21,196</u>	<u>2,196,471</u>
Gross	2,924,267	57,051	2,981,318
Less:			
Allowance - taxes	37,450	1,793	39,243
Allowance - accounts	<u>825,025</u>	<u>-</u>	<u>825,025</u>
Net receivables	<u>\$ 2,061,792</u>	<u>\$ 55,258</u>	<u>\$ 2,117,050</u>

Property taxes become a lien on real estate and certain personal properties owned on the preceding December 31 of each County fiscal year ended June 30. These taxes are levied on or before October 31, and are due without penalty through January 15. Penalties are added to the taxes depending on the date paid as follows:

January 16 through February 1	3% of tax
February 2 through March 18	10% of tax
March 19 and thereafter	15% of tax plus collection cost

The lien and collection date for motor vehicles is the last day of the month in which the motor vehicle license expires. The County bills and collects its own property taxes. Property tax revenue is recognized when past due and collectible within the current period or soon enough thereafter (defined as sixty days) to pay liabilities of the current period. An allowance is provided for an estimated amount of taxes billed, which may ultimately prove to be uncollectible. Unavailable revenue (property taxes) represents that portion of property taxes which is deemed not available to pay current expenses.

Short-term amounts owed between funds are classified as "due from other funds" or "due to other funds" on the balance sheet.

Capital Assets - Capital assets, which include land, construction in progress, land improvements, buildings and improvements, leasehold improvements, infrastructure, machinery and equipment, and software, are reported in the applicable governmental activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 asset lives are not capitalized.

Major outlays for capital assets are capitalized as the projects are constructed. Interest incurred during the construction phase of proprietary capital assets is included as part of the capitalized value of the assets constructed.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance/Net Position - (Continued)

All reported capital assets other than land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	15 - 20 years
Buildings and improvements	10 - 50 years
Leasehold improvements	15 - 20 years
Infrastructure	40 - 50 years
Machinery and equipment	5 - 15 years
Software	3 - 10 years

Land and building held for sale - During fiscal year 2013, the County constructed a spec building at the W.B. Brown Industrial Park. The County had the building appraised after completion at a fair market value of \$1,144,000. In July 2016, the County evaluated the building for potential impairment and had the building reappraised. The reappraisal listed a fair value greater than the amount recorded; therefore, management does not believe the building is impaired at June 30, 2018. The building is currently listed on the market and available for sale.

Compensated Absences - Employees with less than 10 years of service are allowed to carry over not more than thirty (30) days unused annual leave each July 1. Employees with 10 years or more of service may carry over no more than forty (40) days unused annual leave each July 1. Any employee who had more than the maximum carryover amount on June 30, 1989, when this policy was implemented, was allowed to keep the excess in a separate pool that will be paid to the employee upon separation from employment. Accumulated unused annual leave is paid to employees upon separation from employment.

The County has accrued a liability for accrued compensated absences which have been earned but not taken by County employees based on the following criteria:

1. The County's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' service already rendered;
2. The obligation related to rights that vest or accumulate;
3. Payment of the compensation is probable; and
4. The amount can be reasonably estimated.

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 South Carolina Police Officers Retirement System (PORS) and additions to/deductions from SCRS' and PORS' fiduciary net position have been determined on the same basis as they are reported by SCRS or PORS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance/Net Position - (Continued)

Other post-employment benefits (OPEB) - For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Deferred outflows of resources and deferred inflows of resources - Changes in the net pension liability and total OPEB liability not included in pension expense and OPEB expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions and benefit payments made subsequent to the measurement date of the net pension liability and total OPEB liability, respectively, are reported as deferred outflows of resources.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. 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 another financing source. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from debt proceeds received, are reported as debt service expenditures.

Fund balances - Governmental funds report fund balances in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2018, fund balances for governmental funds are made up of the following categories:

- Nonspendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted Fund Balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.
- Committed Fund Balance includes amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, County Council. Commitments may be changed or lifted only by the County taking the same formal action that imposes the constraint originally.
- Assigned Fund Balance comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) County Council or (b) a body (for example: a Finance Committee) or official to which County Council has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance/Net Position - (Continued)

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

County Council is the County's highest level of decision making authority. County Council can establish, modify, or rescind fund balance commitments through adoption of a resolution or ordinance. The County Administrator has the authority to assign fund balance amounts to a specific purpose. The County Administrator is appointed by, and serves at the pleasure of County Council.

The County considers restricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted amounts are available. When an expenditure is incurred for which committed, assigned, or unassigned amounts could be used, the County considers expenditures to be used in this respective order.

As of June 30, 2018, County Council had not established an unassigned fund balance target.

Net Position - Net position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Net position is classified as net investment in capital assets; restricted; and unrestricted. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Reported amounts for net investment in capital assets are as follows at June 30, 2018:

Capital assets, net of accumulated depreciation	\$ 58,555,116
Less: Bonds payable, net of unamortized bond discounts	28,703,431
Less: Capital project payables and retainages	1,509,598
Add: Unspent bond proceeds	<u>7,226,602</u>
	<u>\$ 35,568,689</u>

E. Reclassifications

The presentation of certain items in the 2017 financial statements have been reclassified to be consistent with the 2018 presentation. Such reclassifications had no effect on change in net position, cash flows or net position.

F. Subsequent Events

These financial statements have not been updated for subsequent events occurring after March 11, 2019, which is the date the financial statements were available to be issued.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

G. Adoption of New Accounting Standard

During June 2015, the GASB released Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The County implemented the requirements of GASB Statement No. 75 during the fiscal year ended June 30, 2018. As a result of implementation, beginning net position as of July 1, 2017 for the County's governmental activities decreased by \$2,619,858.

Note 2. Stewardship, Compliance and Accountability

Budgetary Accounting - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Certain special revenue funds and capital projects funds are budgeted over the life of the grant or project but are not formally approved by County Council. Since grant periods may differ from the County's fiscal year, a comparison of budgetary information for the total special revenue and capital projects funds would not be meaningful. Formal budgetary policies are not employed for the debt service funds because effective budgetary control is alternatively achieved through debt provisions.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- 1) Prior to the first County Council meeting in June, the County Administrator submits to County Council a proposed operating budget. The operating budget includes proposed expenditures and the means by which financing will occur.
- 2) Taxpayers are given the opportunity to comment on the proposed budget at a regularly scheduled open Council meeting.
- 3) The budget is legally adopted, after three readings, prior to June 30.
- 4) Any budget revisions are approved by County Council. The County Administrator has the authority only to reallocate the funds between line items within a department.
- 5) Formal budgetary integration is employed as a management control device during the year for the general fund.
- 6) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- 7) Encumbrances are not recognized by the County and are not considered in the budgetary control process. The appropriations of the general fund and special revenue funds of the County lapse at June 30 each year and the outstanding purchase orders, contracts and other commitments must be renewed. Therefore, there are no reservations of the fund balances at year end for encumbrances. Lapsed appropriations of the special revenue funds are reappropriated in the next budget year.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 3. Deposits and Investments

Custodial credit risk - Deposits:

Deposits include cash and cash equivalents on deposit in banks. At June 30, 2018, the carrying amount of the County's deposits was \$18,816,174 and the bank balance was \$19,863,059.

State law requires that all of the County's deposits be covered by Federal Deposit Insurance Corporation (FDIC) insurance or by collateral held in the pledging financial institutions' trust departments in the County's name. At June 30, 2018, all of the County's bank balance was insured or collateralized.

Investments:

All of the County's investments are presented at fair value. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned.

As of June 30, 2018, the County held the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		Three months or less	Three to twelve months	More than one year
US Government Agency Obligations	\$ 14,939,893	\$ 1,504,313	\$ 2,249,257	\$11,186,323
Money Market Fund	66,940	66,940	-	-
South Carolina Local Government Investment Pool (LGIP)	20,958,180	20,958,180	-	-
Total investments held in the County's name	<u>\$35,965,013</u>	<u>\$22,529,433</u>	<u>\$ 2,249,257</u>	<u>\$11,186,323</u>

The County's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1:** Investments reflect prices quoted in active markets for identical assets.
- Level 2:** Investments reflect prices that are based on similar significant observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3:** Investments reflect prices based upon significant unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 3. Deposits and Investments - (Continued)

Investments (continued):

The following table presents the County's fair value hierarchy for those assets (and liabilities) measured at fair value as of June 30, 2018:

	Fair value measurements			
	June 30, 2018	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
Money market fund	\$ 66,940	\$ -	\$ 66,940	\$ -
US Government Agency Obligations	14,939,893	-	14,939,893	-
Total Investments by Fair Value Level	<u>\$ 15,006,833</u>	<u>\$ -</u>	<u>\$ 15,006,833</u>	<u>\$ -</u>
Investments by Net Asset Value (NAV):				
LGIP	<u>20,958,180</u>			
Total Investments Held in the County's Name	<u>\$ 35,965,013</u>			

The LGIP investments are invested with the South Carolina State Treasurer's Office, which established the LGIP pursuant to Section 6-6-10 of the South Carolina Code of Laws. The LGIP is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any county treasurer or any governing body of a political subdivision of the State, may be deposited. The LGIP's investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the LGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by LGIP participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the LGIP may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, Post Office Box 11778, Columbia, South Carolina 29211-1950.

The following reconciles deposits and investments to the financial statements:

Exhibit 3 - Cash and cash equivalents	\$ 11,921,807	Deposits	\$ 18,816,174
Exhibit 3 - Investments	15,006,833	Investments	15,006,833
Exhibit 3 - Amounts held in escrow	4,020,389	LGIP	<u>20,958,180</u>
Exhibit 7 - Cash and cash equivalents	<u>23,832,158</u>	Total	<u>\$ 54,781,187</u>
Total	<u>\$ 54,781,187</u>		

Interest rate risk:

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The County's respective maturity dates are as noted above. The County does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk:

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the County will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The County's policy with respect to custodial credit risk is that all of the County's investments must be insured or collateralized. At June 30, 2018 all of the County's investments were insured or collateralized.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 3. Deposits and Investments - (Continued)

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the County. The County has no investment policy that would further limit its investment choices other than State law. As of June 30, 2018, the underlying security ratings of the County's investment in the LGIP may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. As of June 30, 2018, the underlying security ratings of the County's investment in the money market fund was AAAM according to Standard & Poor's credit ratings.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The County places no limit on the amount the County may invest in any one issuer.

Foreign currency risk:

The County does not invest in foreign securities or have transactions with foreign currency, and as a result does not have a policy for foreign currency risk.

Note 4. Interfund Assets and Liabilities

The balances of interfund receivables and payables at June 30, 2018 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 2,184,636
General Fund	Fairfield Facilities Corporation	123,670
Nonmajor Governmental	General Fund	1,500,000

All of the above balances are scheduled to be collected in the subsequent year. The balances at June 30 resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

Any transactions to transfer revenues from the fund budgeted to receive them to the fund budgeted to expend them are reported as transfers from and to other funds. Total transfers during the year ended June 30, 2018 consisted of the following individual amounts:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 42,974
Fairfield Facilities Corporation	Nonmajor Governmental	896,026
Nonmajor Governmental	General Fund	3,095,937
		<u>\$ 4,034,937</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 5. Due From Other Governmental Units

Amounts due from other governments at June 30, 2018 in the governmental type funds consisted of the following:

	<u>State</u>	<u>Federal</u>	<u>Total</u>
General Fund	\$ 1,162,053	\$ 41,926	\$ 1,203,979
Nonmajor Governmental	<u>849,742</u>	<u>514,112</u>	<u>1,363,854</u>
	<u>\$ 2,011,795</u>	<u>\$ 556,038</u>	<u>\$ 2,567,833</u>

Note 6. Notes Receivable - Hospital

In March 2011, the County issued a noninterest bearing note for \$400,000 from its General Fund to the Fairfield Memorial Hospital (the "Hospital") for the purpose of assisting the Hospital in meeting its current administrative costs and expenses. During prior years, the Hospital paid \$66,667 but then stopped making the required monthly payments. In March 2014, the County issued another noninterest bearing note for \$500,000 from its General Fund to the Hospital for the same purpose. The principal was payable in full in March 2017. In April 2016, the County issued another noninterest bearing note for \$423,092 with no specified payment plan or due date. During fiscal years 2017 and 2018, the County received no payments from the Hospital. Due to management's uncertainty as to the likelihood of collection, the County has maintained an allowance of \$1,256,425 for the full amount outstanding at June 30, 2018. On December 18, 2018, the Hospital closed its operations. The County has written off the receivable and allowance from its books as it is no longer deemed collectible.

Note 7. Capital Assets

The following is a summary of the changes in the County's capital assets for the fiscal year ended June 30, 2018:

	<u>Balance, June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2018</u>
Capital assets, not being depreciated				
Land	\$ 9,456,300	\$ 1,902,558	\$ -	\$ 11,358,858
Construction in progress	<u>5,836,174</u>	<u>6,089,486</u>	<u>922,454</u>	<u>11,003,206</u>
Total capital assets, not being depreciated	<u>15,292,474</u>	<u>7,992,044</u>	<u>922,454</u>	<u>22,362,064</u>
Capital assets, being depreciated				
Land improvements	23,689,956	-	-	23,689,956
Buildings and improvements	28,022,562	507,008	-	28,529,570
Leasehold improvements	1,658,079	-	-	1,658,079
Infrastructure	6,208,460	516,514	-	6,724,974
Machinery and equipment	20,727,209	1,791,679	756,334	21,762,554
Software	<u>400,282</u>	<u>-</u>	<u>-</u>	<u>400,282</u>
Total capital assets, being depreciated	<u>80,706,548</u>	<u>2,815,201</u>	<u>756,334</u>	<u>82,765,415</u>
Accumulated depreciation	<u>(44,374,003)</u>	<u>(2,954,694)</u>	<u>756,334</u>	<u>(46,572,363)</u>
Total capital assets, being depreciated, net	<u>36,332,545</u>	<u>(139,493)</u>	<u>-</u>	<u>36,193,052</u>
Net capital assets	<u>\$ 51,625,019</u>	<u>\$ 7,852,551</u>	<u>\$ 922,454</u>	<u>\$ 58,555,116</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 7. Capital Assets - (Continued)

Depreciation expense was allocated to programs of the primary government as follows:

General government	\$ 2,061,772
Public safety	280,630
Public works and utilities	135,976
Health and welfare	412,336
Judicial	1,382
Cultural and recreation	62,598
	<u>\$ 2,954,694</u>

Note 8. HON Facility

The County has entered into a long-term lease agreement with the State for the use of its HON facility. The HON facility has square footage of approximately 186,000 and is located in Winnsboro, South Carolina. The lease agreement requires no annual lease payment from the County; however, the County must pay for all maintenance, utilities and insurance for the facility. The lease will expire during fiscal year 2031. The County's Assessor has estimated a fair market value for leasing similar sized industrial spaces at \$2.75 per square foot. Based on its assessment, the County has recorded \$511,500 as an in-kind contribution from the State and rent expense in the General Fund for the year ended June 30, 2018.

Note 9. Long-Term Liabilities

The following is a summary of the changes in general long-term liabilities for the fiscal year ended June 30, 2018:

	Balance, June 30, 2017	Additions	Reductions	Balance, June 30, 2018	Due in less than one year	Due in more than one year
Bonds payable:						
General obligation bonds	\$ 4,981,480	\$ 614,000	\$ 1,027,795	\$ 4,567,685	\$ 1,070,632	\$ 3,497,053
Revenue bonds	24,660,000	-	10,000	24,650,000	10,000	24,640,000
Unamortized bond discounts	(537,576)	-	(23,322)	(514,254)	(23,322)	(490,932)
Total bonds payable	<u>\$ 29,103,904</u>	<u>\$ 614,000</u>	<u>\$ 1,014,473</u>	<u>\$ 28,703,431</u>	<u>\$ 1,057,310</u>	<u>\$ 27,646,121</u>
Accrued compensated absences	<u>\$ 762,625</u>	<u>\$ 50,939</u>	<u>\$ 63,546</u>	<u>\$ 750,018</u>	<u>\$ 70,679</u>	<u>\$ 679,339</u>

General obligation bonds consisted of the following at June 30, 2018:

\$6,750,000 general obligation bonds due in annual installments of \$740,000 to \$955,000 through March 1, 2020; interest at 3.2% to 4.3%	\$ 1,865,000
\$769,178 general obligation bonds due in annual installments of \$36,250 to \$316,958 through March 1, 2021; interest at 2.95%	194,582
\$1,156,000 general obligation bonds due in annual installments of \$5,000 to \$878,239 through March 1, 2021; interest at 2.92%	149,056
\$306,000 general obligation bonds due in annual installments of \$36,250 to \$149,695 through March 1, 2022; interest at 2.18%	246,286

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 9. Long-Term Liabilities - (Continued)

\$306,000 general obligation bonds due in annual installments of \$33,239 to \$106,830 through March 1, 2022; interest at 3.01%	272,761
\$306,000 general obligation bonds due in annual installments of \$27,714 to \$121,406 through March 1, 2023; interest at 3.54%	306,000
\$306,000 general obligation bonds due in annual installments of \$24,239 to \$123,457 through March 1, 2023; interest at 1.96%	306,000
\$614,000 general obligation bonds due in annual installments of \$125,694 to \$225,590 through March 1, 2024; interest at 3.60%	614,000
\$614,000 general obligation bonds due in annual installments of \$24,000 to \$225,590 through March 1, 2025; interest at 4.63%	614,000
	<u>614,000</u>
	<u>\$ 4,567,685</u>

Revenue bonds are issued to provide funds for the acquisition and construction of major capital facilities and equipment and are secured by the pledge of certain fee-in-lieu of tax revenues of the County and do not constitute the general obligations, or pledge of the faith, credit or taxing power of the County or any other political subdivision.

Revenue bonds consisted of the following at June 30, 2018:

\$3,710,000 series 2013A revenue bonds due in annual installments of \$10,000 to \$875,000 through September 1, 2025; interest at 2.6% to 3.3%	\$ 3,670,000
\$20,980,000 series 2013B revenue bonds due in annual installments of \$500,000 to \$1,600,000 through September 1, 2042; interest at 2.2% to 4.0%	20,980,000
	<u>\$ 24,650,000</u>

The scheduled maturities of the County's bonds payable by type are as follows:

Year Ended June 30	Principal	Interest	Total
General Obligation Bonds			
2019	\$ 1,070,632	\$ 187,439	\$ 1,258,071
2020	1,109,384	136,401	1,245,785
2021	918,838	82,057	1,000,895
2022	736,355	53,208	789,563
2023	477,611	28,551	506,162
2024-2025	254,865	11,645	266,510
	<u>\$ 4,567,685</u>	<u>\$ 499,301</u>	<u>\$ 5,066,986</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 9. Long-Term Liabilities - (Continued)

Year Ended June 30	Principal	Interest	Total
Revenue Bonds			
2019	\$ 10,000	\$ 885,763	\$ 895,763
2020	10,000	885,500	895,500
2021	10,000	885,238	895,238
2022	785,000	874,802	1,659,802
2023	805,000	854,299	1,659,299
2024-2028	4,380,000	3,881,900	8,261,900
2029-2033	5,130,000	3,103,575	8,233,575
2034-2038	6,115,000	2,085,763	8,200,763
2039-2043	7,405,000	764,100	8,169,100
	<u>\$ 24,650,000</u>	<u>\$ 14,220,940</u>	<u>\$ 38,870,940</u>

Note 10. Pension Plans

Description of the Entity:

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 State Fiscal Accountability Authority (SFAA), 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. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. 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.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans

Plan descriptions:

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 State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired State, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

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 on the following page.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the SCRS 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 SCRS with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the SCRS with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired State, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State ORP, which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the Systems' trust funds for financial statement purposes. Employee and employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (five percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans - (Continued)

Membership (continued):

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 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 of 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 years 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.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans - (Continued)

Benefits (continued):

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

Contributions:

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board of Directors may increase the percentage rate in SCRS 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 total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the PEBA Board of Directors 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 PEBA Board of Directors are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board of Directors shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period, and this increase is not limited to one-half of one percent per year.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans - (Continued)

Contributions (continued):

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
SCRS		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
State ORP		
Employee	9.00%	8.66%
PORS		
Employee Class Two	9.75%	9.24%
Employee Class Two	9.75%	9.24%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
SCRS		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

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 regarding the net pension liability 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. An experience report on the Systems was most recently issued as of July 1, 2015.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans - (Continued)

Actuarial assumptions and methods (continued):

The June 30, 2017, total pension liability, net pension liability, and sensitivity information were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of the July 1, 2016. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year ended June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2017 for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017 total pension liability are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC males multiplied by 92%	2016 PRSC females multiplied by 98%
General employees and members of the General Assembly	2016 PRSC males multiplied by 100%	2016 PRSC females multiplied by 111%
Public safety and firefighters	2016 PRSC males multiplied by 125%	2016 PRSC females multiplied by 111%

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans - (Continued)

Net pension liability:

The net pension liability 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 net pension liability, as of June 30, 2017, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Statement Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2018, the County reported a liability of \$18,125,221 and \$7,125,105 for its proportionate share of the net pension liability of the SCRS and PORS, respectively. The County's proportionate share of the SCRS net pension liability was calculated on the basis of historical employer contributions to the plan. At June 30, 2018, the County's proportionate share was 0.08052% for SCRS and 0.26008% for PORS.

Deferred outflows of resources and deferred inflows of resources:

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to its pension liabilities from the following sources for each of the respective plans:

	SCRS	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 80,802	\$ 10,046
Changes of assumptions	1,061,037	-
Net difference between projected and actual earnings on pension plan investments	1,462,252	956,281
Changes in proportion and differences between employer contributions and proportionate share of contributions	333,796	393,233
Employer contributions subsequent to the measurement date	<u>1,075,930</u>	<u>-</u>
Total	<u>\$ 4,013,817</u>	<u>\$ 1,359,560</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans - (Continued)

Deferred outflows of resources and deferred inflows of resources (continued):

	<u>PORS</u>	
	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 63,536	\$ -
Changes of assumptions	676,238	-
Net difference between projected and actual earnings on pension plan investments	746,186	492,289
Changes in proportion and differences between employer contributions and proportionate share of contributions	186,214	-
Employer contributions subsequent to the measurement date	<u>564,408</u>	<u>-</u>
Total	<u>\$ 2,236,582</u>	<u>\$ 492,289</u>

The \$1,075,930 and \$564,408 reported as deferred outflows of resources related to pensions resulting from County's contributions paid subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2018 will be recognized as a reduction of the net pension liabilities during the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

<u>Year Ended June 30:</u>	<u>SCRS</u>	<u>PORS</u>
2019	\$ 326,674	\$ 349,370
2020	768,280	461,328
2021	615,480	324,400
2022	<u>(132,107)</u>	<u>44,787</u>
	<u>\$ 1,578,327</u>	<u>\$ 1,179,885</u>

Pension expense:

For the year ended June 30, 2018, the County recognized pension expense of \$1,668,173 and \$937,575 for the SCRS and the PORS, respectively.

Long term expected rate of return:

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans - (Continued)

Long term expected rate of return (continued):

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and is summarized in the table on presented below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity:	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets:	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic:	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (Non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Discount rate:

The discount rate used to measure the total pension liability was 7.25 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 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.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 10. Pension Plans - (Continued)

Sensitivity analysis:

The following table presents the County's proportionate share of the net pension liabilities for SCRS calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 23,360,921	\$ 18,125,221	\$ 14,948,382
PORS	9,620,247	7,125,105	5,159,714

Additional financial and actuarial information:

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

Note 11. Deferred Compensation/Salary Deferral Plan

Several optional deferred compensation plans are available to the County employees. The multiple-employer plans, created under Internal Revenue Code Sections 457 and 401(k), are accounted for as agency funds of the State and included in the State's CAFR. Employees may withdraw the current value of their contributions when they terminate County employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Compensation deferred under the Section 401(k) plan is placed in trust for the contributing employee. The State has no liability for losses under the plans. Under the Section 457 plan, all deferred compensation plan amounts and earnings remain assets of the State subject to the claims of the employer's general creditors, one of whom is the employee participant. It is unlikely, however, that the State would ever use plan assets to satisfy claims of the State's general creditors. The portion of assets of the Section 457 plan to which the State has access is disclosed in its financial report.

Note 12. Other Post-Employment Benefits (OPEB)

Plan description:

The County's policy is to provide post-retirement health, life and dental care benefits to substantially all employees who retire under the State's retirement plans. Its plan is a single-employer defined benefit plan that provides OPEB to both the County and its discretely presented component unit, Fairfield County Library Commission (the "Commission"). There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 12. Other Post-Employment Benefits (OPEB) - (Continued)

Required monthly contributions:

The County will pay 100% of the premium for those retirees with 10 or more consecutive years of service with the County until they reach age 65 and are eligible for Medicare coverage. Upon reaching the age of 65, the retiree has the option to pay the full premium or receive \$150 per month to help supplement the cost of purchasing Medicare gap coverage. Benefits may still be purchased for eligible retiree dependents; however, the cost of these benefits are paid by the retiree. The contribution requirements of plan members and the County are established and may be amended by the County.

Funding policy:

The required contribution is currently based on pay-as-you-go financing requirements. The County funds on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for post-retirement benefits.

Dependent coverage:

Retirees may enroll eligible dependents in the plan during annual open enrollments and upon qualifying life events as defined by the insurance plan document, but must pay the entire dependent premium cost.

Employees covered by benefit terms:

As of June 30, 2018, the valuation date, there were 325 employees covered by benefit terms, which consisted of 259 active participants, 64 retired participants, and 2 spouses of retired participants.

Total OPEB liability:

The County's portion of the total OPEB liability of \$4,865,779 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date. Changes in the County's OPEB liability for the year ended June 30, 2018 is as follows:

	<u>County</u>	<u>Commission</u>	<u>Total</u>
Total OPEB liability - beginning	\$ 4,631,601	\$ 203,263	\$ 4,834,864
<i>Changes for the year:</i>			
Service cost	291,555	12,795	304,350
Interest	140,805	6,179	146,984
Differences between expected and actual experience	-	-	-
Changes of assumptions or other inputs	-	-	-
Benefit payments	<u>(198,182)</u>	<u>(8,696)</u>	<u>(206,878)</u>
Net changes	<u>234,178</u>	<u>10,278</u>	<u>244,456</u>
Total OPEB liability - ending	<u>\$ 4,865,779</u>	<u>\$ 213,541</u>	<u>\$ 5,079,320</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 12. Other Post-Employment Benefits (OPEB) - (Continued)

Actuarial assumptions and methods:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date:	June 30, 2018
Actuarial cost method:	Entry Age Normal
Inflation:	2.50 percent
Single discount rate:	2.98 percent as of June 30, 2018
Salary increases	2.50 percent
Healthcare cost trend rates (medical):	8.00 percent graded down to 5.00 percent over ten years
Healthcare cost trend rates (dental):	4.00 percent per annum
Demographic assumptions:	Based on the experience study covering the five year period ending June 30, 2015 as conducted for the South Carolina Retirement System (SCRS).
Mortality:	RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from Year 2000. For SCRS, male rates multiplied by 100% for non-educators and 110% for educators. Female rates multiplied by 90% for non-educators and 95% for educators. For PORS, male and female rates are multiplied by 115%.
Notes:	There were no benefit changes during the year. The discount rate changed from 4.00 percent as of June 30, 2017 to 2.98 percent as of June 30, 2018, and the healthcare cost trend changed from 7.00 percent grading to 5.00 percent over four years as of June 30, 2017 to 8.00 percent grading to 5.00 percent over ten years as of June 30, 2018.

Discount rate:

The discount rate used to measure the total OPEB liability was 2.98 percent. The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018.

Sensitivity analysis:

The following table represents the County's total OPEB liability calculated using the discount rate of 2.98%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower (1.98 percent) or one percent higher (3.98 percent) than the current rate.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 12. Other Post-Employment Benefits (OPEB) - (Continued)

Sensitivity analysis (continued):

Sensitivity of the total OPEB Liability to Changes in the Discount Rate			
	1.00% Decrease (1.98%)	Discount Rate (2.98%)	1.00% Increase (3.98%)
County	\$ 5,498,199	\$ 4,865,779	\$ 4,331,147
Commission	\$ 241,295	\$ 213,541	\$ 190,077
Total OPEB Liability	\$ 5,739,794	\$ 5,079,320	\$ 4,521,224

The following table represents the County's total OPEB liability calculated using the assumed trend rates as well as what the County's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher.

Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates			
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
County	\$ 4,490,360	\$ 4,865,779	\$ 5,308,297
Commission	\$ 197,065	\$ 213,541	\$ 232,961
Total OPEB Liability	\$ 4,687,425	\$ 5,079,320	\$ 5,541,258

OPEB expense:

For the year fiscal ended June 30, 2018, the County recognized OPEB expense of \$234,178. The calculation of OPEB expense for the fiscal year ended June 30, 2018 is as follows:

	<u>County</u>	<u>Commission</u>	<u>Total</u>
Service cost	\$ 291,555	\$ 12,795	\$ 304,350
Interest	140,805	6,179	146,984
Benefit payments	<u>(198,182)</u>	<u>(8,696)</u>	<u>(206,878)</u>
	<u>\$ 234,178</u>	<u>\$ 10,278</u>	<u>\$ 244,456</u>

Note 13. Operating Leases

The County leases equipment and vehicles for various departments. Total costs for operating leases were approximately \$198,000 for the year ended June 30, 2018. Future minimum lease payments under operating leases are as follows:

For the fiscal year ending June 30:

2019	\$ 64,095
2020	60,598
2021	59,898
2022	<u>1,822</u>
	<u>\$ 186,413</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 14. Tax Abatements

Fee in Lieu of Tax Agreements (FILOT) – The County has entered into fee in lieu of tax agreements pursuant to the authority granted by Title 12, Chapter 44, Title 4, Chapter 29, and/or Title 4, Chapter 12 of the Code of Laws of South Carolina, 1976, as amended. Property subject to a fee in lieu of tax agreement is exempt from ad valorem property tax and is instead subject to a fee in lieu of tax equal to the product of the value of the property, an assessment ratio that is generally no lower than 6% (but may be as low as 4% for extraordinary projects that satisfy the statutory definition of an “enhanced investment”), and a millage rate that is either fixed for the life of the agreement or is adjusted every five years based on the trailing five-year average. The County uses a variety of fixed millage and variable millage rate agreements. The County has entered into a written agreement for each fee in lieu of tax incentive, with each agreement having been approved by the County Council. Taxpayers must invest \$2,500,000 in capitalized investment within an investment period as defined in the applicable agreement (generally six years) in order to qualify for a fee in lieu of tax incentive, and some agreements include heightened requirements tied to investment and/or job creation thresholds. These requirements are negotiated on a case-by-case basis and may provide for a recapture of some or all of the abated taxes in the event that the taxpayer does not meet and/or maintain the required investment or job creation thresholds.

For the fiscal year ended June 30 2018, the County abated property taxes totaling \$733,530 under this program.

Special Source Revenue Credits (SSRCs) - The County provided special source revenue credits, generally in conjunction with fee in lieu of tax agreements, pursuant to the authority granted by Sections 4-29-68 and 4-1-170 of the Code of Laws of South Carolina, 1976, as amended. Special source revenue credits, often referred to as SSRCs or “Infrastructure Credits,” are reductions to a taxpayer’s payments in lieu of taxes. Generally, property that receives SSRCs is added to a “multi-county industrial park” pursuant to Sections 4-1-170 - 4-1-175 of the Code of Laws of South Carolina, 1976, as amended. Most multi-county industrial park agreements allocate 1% of property tax (or fee in lieu of tax) revenue to the partner county.

For the fiscal year ended June 30 2018, the County abated property taxes totaling \$211,424 under this program.

Note 15. 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 workers’ compensation insurance and to the State Accident Fund for all other forms of coverage. The public entity risk pool and the State Accident Fund promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance 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.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 16. Commitments

The County is obligated under a transfer station service agreement with a provider of rural trash collection services. This contract is for ten years with five year renewal options and requires payments based on a per ton fee for solid waste delivered for disposal. During the year ended June 30, 2018, the County incurred costs totaling approximately \$734,000 (net of user fees) under this agreement.

The majority of the County's facilities are owner-occupied buildings. The County is obligated under certain operating leases for additional office space. The obligations under these leases are not considered significant for financial reporting purposes.

The County is obligated under certain maintenance agreements for continued service to office machinery, data processing equipment and software. Each contract is evaluated annually and a decision is made to either continue the service or let the maintenance agreement lapse. For the year ended June 30, 2018, the total cost included in the financial statements of the County was approximately \$637,000.

The County is obligated under certain insurance policies to provide coverage for such things as tort liability, unemployment insurance, flood insurance, fire insurance, heavy equipment floater insurance, automobile comprehensive and collision insurance, and contents insurance for various County owned buildings. Each policy is renewable upon the anniversary date.

As of June 30, 2018, the County has outstanding construction contracts of approximately \$503,000.

On November 29, 2017, the County entered into an agreement with Providence Hospital, LLC ("Providence") and the Fairfield Memorial Hospital Board of Trustees for the purpose of winding down the services provided by Fairfield Memorial Hospital and to make arrangements for the continuation of healthcare services in Fairfield County to be provided by Providence. As a part of this agreement, the County has committed to provide financial support in the amount of \$10 million over a period of ten years to Providence for its operation of an emergency medical facility. During the first six years of operations, the County must maintain \$4 million by August 1 of each year in an Escrow Account with an independent third party. Beginning on December 18, 2018, the opening date of Providence, and continuing on the first day of each quarter for ten years, the escrow agent will disburse \$250,000 to Providence.

Future commitments under this agreement are as follows for the years ending June 30:

2019	\$ 750,000
2020	1,000,000
2021	1,000,000
2022	1,000,000
2023	1,000,000
2024-2028	5,000,000
2029	250,000
	<u>\$ 10,000,000</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2018

Note 17. Economic Dependency

The County received a substantial portion of its property tax revenues from a single taxpayer, South Carolina Electric and Gas (SCANA Corporation). Of the County's total property tax revenues of \$26,628,308 for the year ended June 30, 2018, approximately \$10,925,000 was generated from SCANA Corporation due to its operation of the VC Summer Nuclear Plant. This represents approximately 41% of total property tax revenues for the County. Consequently, the funding of County operations is heavily dependent on property tax revenues collected from SCANA Corporation.

Note 18. Local Option Sales Tax

Fairfield County voters approved the Local Option Sales Tax referendum which added one cent to the sales and use tax imposed within the County. The Local Option Sales Tax is a 1% increase to the current sales tax rate, bringing the new sales tax rate to 7%. The revenue generated as a result of the additional one cent sales tax is collected by the South Carolina Department of Revenue to provide for county and municipal property tax relief. Resources collected, less a portion retained by the State, are distributed by the State to participating cities and counties based upon formulations defined by State law.

For the year ended June 30, 2018, amounts remitted (allocated) to the County totaled approximately \$1.8 million. The County passed an ordinance devoting all of the proceeds received, from the State in the Local Option Sales Tax program, to property tax reduction. As of June 30, 2018, the County had provided property tax credits in excess of the amounts generated from the Local Option Sales Tax. Therefore, \$0 of the General Fund's fund balance is committed for future Local Option Sales Tax credits.

Note 19. Subsequent Event

On October 8, 2018, the County entered into and an agreement with 1st & Main Development, LLC (1st & Main) to redevelop the historic Mount Zion Institute into a governmental administration complex. In connection therewith, the County has agreed to lease the property after the construction completion for a period of seven years. The property will be owned by 1st & Main during the lease; however, the County will have the option to purchase the complex for a price not to exceed \$4.5M after seven years. 1st & Main has the right to terminate these agreements on or before June 1, 2019 upon the occurrence of any of the following: (i) the County Council, in public session, votes to withdraw support from the project; (ii) there occurs a material change, in the developer's judgment, in the County's financial stability; (iii) the developer is unable to obtain financing on terms and conditions satisfactory to developer; or (iv) developer is unable to obtain all contemplated tax credits necessary to deliver the project in form and at rent levels acceptable to the parties. As of March 11, 2019, 1st & Main has not terminated the agreement with the County.

Fairfield County, South Carolina

Budgetary Comparison Schedule (GAAP Basis) - General Fund

For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 24,683,393	\$ 24,683,393	\$ 24,952,680	\$ 269,287
Sales tax	2,048,946	2,048,946	1,808,993	(239,953)
Intergovernmental	1,477,300	1,477,300	1,509,634	32,334
Licenses, permits, fines and fees	980,607	980,607	703,458	(277,149)
Charges for services	1,154,944	1,154,944	1,454,897	299,953
Investment income	12,000	12,000	56,379	44,379
Other	110,000	110,000	287,737	177,737
Total revenues	30,467,190	30,467,190	30,773,778	306,588
Expenditures				
General government				
County council	333,101	333,101	252,776	80,325
County attorney	175,218	215,609	215,208	401
County administrator	416,139	416,139	413,438	2,701
Finance	631,951	631,951	609,976	21,975
Human resources	181,456	195,601	195,500	101
Purchasing	171,097	171,097	170,920	177
Data processing	644,562	707,137	707,104	33
General operating	3,133,660	2,789,261	2,329,468	459,793
Tax assessor	369,104	369,104	332,253	36,851
Tax collector	176,602	176,602	145,463	31,139
Building maintenance	879,917	879,917	873,473	6,444
Planning and building	492,197	492,197	414,923	77,274
Transit	247,221	247,221	230,352	16,869
Economic development	294,869	316,081	315,619	462
Auditor	130,850	130,850	127,035	3,815
Treasurer	189,719	189,719	186,443	3,276
Voter registration / Election Commission	234,320	236,525	236,497	28
Veterans Affairs	105,613	105,613	96,652	8,961
Delegation	19,733	19,733	17,436	2,297
Airport commission	55,696	114,935	112,287	2,648
Airport T-Hangers	-	-	112,206	(112,206)
Quickjobs	41,448	44,955	44,942	13
Summer youth program	-	-	-	-
Soil and water conservation	32,683	32,683	32,389	294
Property Tax Refunds	-	63	63	-
Allocations to local organizations	486,253	486,253	483,018	3,235
Total general government	9,443,409	9,302,347	8,655,441	646,906
Public safety				
Sheriff	3,829,352	3,829,352	3,754,809	74,543
Detention center	2,153,006	2,153,006	1,902,147	250,859
Animal control	426,319	426,319	422,867	3,452
Coroner	184,028	184,028	174,591	9,437
Fire department	830,000	830,000	670,079	159,921
Allocations to local organizations	39,490	39,490	39,490	-
Total public safety	7,462,195	7,462,195	6,963,983	498,212

Fairfield County, South Carolina

Budgetary Comparison Schedule (GAAP Basis) - General Fund

For the fiscal year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures, Continued				
Public works and utilities				
Road maintenance division	1,487,408	1,487,408	1,383,362	104,046
Total public works and utilities	1,487,408	1,487,408	1,383,362	104,046
Health and welfare				
Fairfield County Department of Social Services	89,600	104,230	104,226	4
Emergency medical service	3,458,321	3,458,321	3,325,718	132,603
Emergency management	972,720	972,720	871,098	101,622
Solid waste	2,111,101	2,201,429	2,200,886	543
Allocations to local organizations	2,048,694	2,077,915	1,813,130	264,785
Total health and welfare	8,680,436	8,814,615	8,315,058	499,557
Judicial				
Probate Judge	183,241	183,241	168,445	14,796
Clerk of court	334,209	334,209	314,638	19,571
Family court	142,366	142,366	136,041	6,325
Magistrates	522,804	522,804	493,283	29,521
Total judicial	1,182,620	1,182,620	1,112,407	70,213
Cultural and recreation				
Recreation	937,721	937,721	890,093	47,628
Museum	106,863	113,746	113,718	28
Allocations to local organizations	524,735	524,735	694,657	(169,922)
Total cultural and recreation	1,569,319	1,576,202	1,698,468	(122,266)
Total expenditures	29,825,387	29,825,387	28,128,719	1,696,668
Excess of revenues over expenditures	641,803	641,803	2,645,059	2,003,256
Other financing sources (uses)				
Transfers in	2,593,873	2,593,873	42,974	(2,550,899)
Transfers out	(3,235,676)	(3,235,676)	(3,095,937)	139,739
Total other financing sources (uses)	(641,803)	(641,803)	(3,052,963)	(2,411,160)
Net change in fund balance	\$ -	\$ -	(407,904)	\$ (407,904)
Fund balance, beginning of year			21,949,096	
Fund balance, end of year			\$ 21,541,192	

Fairfield County, South Carolina*Schedule of Changes in the County's Total OPEB Liability and Related Ratios**For the fiscal year ended June 30, 2018*

	2018		
	County	Commission	Total
Service cost at end of year	\$ 291,555	\$ 12,795	\$ 304,350
Interest	140,805	6,179	146,984
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions or other inputs	-	-	-
Benefit payments	(198,182)	(8,696)	(206,878)
Other	-	-	-
Net change in total OPEB liability	234,178	10,278	244,456
Total OPEB liability - beginning	\$ 4,631,601	\$ 203,263	\$ 4,834,864
Total OPEB liability - ending	\$ 4,865,779	\$ 213,541	\$ 5,079,320
Proportion of total OPEB liability	95.8%	4.2%	100%
Covered employee payroll	\$ 10,714,394	\$ 281,198	\$ 10,995,592
Total OPEB liability as a percentage of covered employee payroll	45.41%	75.94%	46.19%

Note: This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2009 through 2017 is not readily available.

Fairfield County**Schedule of the County's Proportionate Share of the Net Pension Liability
For the fiscal year ended June 30, 2018**

	SCRS				
	2018	2017	2016	2015	2014
County's proportion of the net pension liability	0.08052%	0.07822%	0.07985%	0.08452%	0.08452%
County's proportionate share of the net pension liability	<u>\$ 18,125,221</u>	<u>\$ 16,707,677</u>	<u>\$ 15,143,558</u>	<u>\$ 14,551,198</u>	<u>\$ 15,159,514</u>
County's covered payroll during the measurement period	<u>\$ 8,081,568</u>	<u>\$ 7,577,417</u>	<u>\$ 7,488,006</u>	<u>\$ 7,684,474</u>	<u>\$ 7,782,679</u>
County's proportionate share of the net pension liability as a percentage of its covered payroll	224.28%	220.49%	202.24%	189.36%	194.79%
Plan fiduciary net position as a percentage of the total pension liability	53.34%	52.91%	56.99%	59.92%	56.39%
	PORS				
	2018	2017	2016	2015	2014
County's proportion of the net pension liability	0.26008%	0.25074%	0.24995%	0.24785%	0.24785%
County's proportionate share of the net pension liability	<u>\$ 7,125,105</u>	<u>\$ 6,360,033</u>	<u>\$ 5,447,673</u>	<u>\$ 4,744,985</u>	<u>\$ 5,137,945</u>
County's covered payroll during the measurement period	<u>\$ 3,496,245</u>	<u>\$ 3,197,119</u>	<u>\$ 3,096,543</u>	<u>\$ 2,952,824</u>	<u>\$ 2,894,221</u>
County's proportionate share of the net pension liability as a percentage of its covered payroll	203.79%	198.93%	175.93%	160.69%	177.52%
Plan fiduciary net position as a percentage of the total pension liability	60.94%	60.44%	64.57%	67.50%	62.98%

Note: This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2009 through 2013 is not readily available.

Fairfield County, South Carolina*Schedule of the County's Contributions Related to the Pension Liability**For the fiscal year ended June 30, 2018*

	SCRS				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,075,930	\$ 934,229	\$ 838,062	\$ 816,051	\$ 813,352
Contributions made to the pension plan	1,075,930	934,229	838,062	816,051	813,352
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 8,504,378	\$ 8,081,568	\$ 7,577,417	\$ 7,488,006	\$ 7,684,474
Contributions as a portion of covered payroll	12.65%	11.56%	11.06%	10.90%	10.58%

	PORS				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 564,408	\$ 497,865	\$ 439,284	\$ 415,246	\$ 382,767
Contributions made to pension plan	564,408	497,865	439,284	415,246	382,767
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 3,677,792	\$ 3,496,245	\$ 3,197,119	\$ 3,096,543	\$ 2,962,175
Contributions as a portion of covered payroll	15.35%	14.24%	13.74%	13.41%	12.92%

Note: This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2009 through 2013 is not readily available.

Fairfield County, South Carolina

Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2018

	Nonmajor Debt Service	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 969,847	\$ 1,499,916	\$ 2,198,312	\$ 4,668,075
Taxes receivable, net	34,062	-	-	34,062
Accounts receivable, net	-	6,200	14,996	21,196
Due from other funds	-	-	1,500,000	1,500,000
Due from other governments	-	690,532	673,322	1,363,854
Prepaid items	-	27,503	-	27,503
Land and building held for sale	-	-	1,144,000	1,144,000
Total assets	<u>\$ 1,003,909</u>	<u>\$ 2,224,151</u>	<u>\$ 5,530,630</u>	<u>\$ 8,758,690</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 60,796	\$ 379,933	\$ 440,729
Retainage payable	-	-	28,846	28,846
Accrued liabilities	-	33,252	-	33,252
Due to other funds	-	609,581	1,575,055	2,184,636
Due to other agencies	-	-	200,000	200,000
Total liabilities	<u>-</u>	<u>703,629</u>	<u>2,183,834</u>	<u>2,887,463</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	16,417	-	-	16,417
Total deferred inflows of resources	<u>16,417</u>	<u>-</u>	<u>-</u>	<u>16,417</u>
Fund balances				
Nonspendable				
Prepaid items	-	27,503	-	27,503
Restricted				
General government	-	34,905	-	34,905
Public safety	-	88,290	-	88,290
Health and welfare	-	946,258	-	946,258
Judicial	-	139,662	-	139,662
Cultural and recreation	-	187,747	-	187,747
Debt service	987,492	-	-	987,492
Committed				
Public works and utilities	-	-	1,136,962	1,136,962
Cultural and recreation	-	35,559	-	35,559
Capital outlay	-	61,500	2,209,834	2,271,334
Unassigned	-	(902)	-	(902)
Total fund balances	<u>987,492</u>	<u>1,520,522</u>	<u>3,346,796</u>	<u>5,854,810</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,003,909</u>	<u>\$ 2,224,151</u>	<u>\$ 5,530,630</u>	<u>\$ 8,758,690</u>

Fairfield County, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

For the year ended June 30, 2018

	Nonmajor Debt Service	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 1,502,570	\$ 153,885	\$ -	\$ 1,656,455
Intergovernmental	-	1,515,656	2,388,427	3,904,083
Licenses, permits, fines and fees	-	208,770	116,145	324,915
Charges for services	-	393,912	-	393,912
Investment income	752	2	-	754
Other	-	52,072	281,629	333,701
Total revenues	<u>1,503,322</u>	<u>2,324,297</u>	<u>2,786,201</u>	<u>6,613,820</u>
Expenditures				
General government	-	433,325	498,917	932,242
Public safety	-	219,973	-	219,973
Public works and utilities	-	59,769	1,864,827	1,924,596
Health and welfare	-	1,102,379	-	1,102,379
Judicial	-	72,581	-	72,581
Cultural and recreation	-	156,126	-	156,126
Capital outlay	-	571,476	4,697,772	5,269,248
Debt service				
Principal retirement	1,027,795	-	-	1,027,795
Interest and fiscal charges	251,306	-	-	251,306
Total expenditures	<u>1,279,101</u>	<u>2,615,629</u>	<u>7,061,516</u>	<u>10,956,246</u>
Excess (deficiency) of revenues over (under) expenditures	<u>224,221</u>	<u>(291,332)</u>	<u>(4,275,315)</u>	<u>(4,342,426)</u>
Other financing sources (uses)				
Proceeds from general obligation bonds	614,000	-	-	614,000
Proceeds from sale of capital assets	-	900	58,152	59,052
Transfers in	-	446,366	2,649,571	3,095,937
Transfers out	(896,025)	(42,975)	-	(939,000)
Total other financing sources (uses)	<u>(282,025)</u>	<u>404,291</u>	<u>2,707,723</u>	<u>2,829,989</u>
Net change in fund balances	(57,804)	112,959	(1,567,592)	(1,512,437)
Fund balances, beginning of year	<u>1,045,296</u>	<u>1,407,563</u>	<u>4,914,388</u>	<u>7,367,247</u>
Fund balances, end of year	<u>\$ 987,492</u>	<u>\$ 1,520,522</u>	<u>\$ 3,346,796</u>	<u>\$ 5,854,810</u>

Fairfield County, South Carolina
Comparative Balance Sheets - General Fund
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 27,130	\$ 19,187,858
Amounts held in escrow	4,020,389	-
Taxes receivable, net	711,542	421,568
Accounts receivable, net	1,350,250	1,243,442
Investments	15,006,833	-
Due from other funds	2,308,306	1,967,928
Due from other governments	1,203,979	539,812
Prepaid items	39,451	37,571
Total assets	<u>\$ 24,667,880</u>	<u>\$ 23,398,179</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	\$ 424,549	\$ 450,541
Accrued liabilities	642,384	533,321
Due to other funds	1,500,000	-
Due to taxpayers	3,244	3,244
Due to other agencies	2,298	267,083
Due to component unit	215,705	47,364
Due to other governments	2,200	10,833
Total liabilities	<u>2,790,380</u>	<u>1,312,386</u>
Deferred inflows of resources		
Unavailable revenue - property taxes	336,308	136,697
Total deferred inflows of resources	<u>336,308</u>	<u>136,697</u>
Fund balances		
Nonspendable		
Prepaid items	39,451	37,571
Restricted		
Health and welfare	4,020,389	-
Committed		
Local option sales tax	-	365,968
General government	3,480,000	3,480,000
Health and welfare	760,000	760,000
Unassigned	13,241,352	17,305,557
Total fund balances	<u>21,541,192</u>	<u>21,949,096</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,667,880</u>	<u>\$ 23,398,179</u>

Fairfield County, South Carolina
Comparative Statements of Revenues, Expenditures and Changes in Fund Balance - General Fund
For the years ended June 30, 2018 and 2017

	2018	2017
Revenues		
Taxes	\$ 24,952,680	\$ 23,563,652
Sales tax	1,808,993	2,191,098
Intergovernmental	1,509,634	1,710,930
Licenses, permits, fines and fees	703,458	899,453
Charges for services	1,454,897	1,691,351
Investment income	56,379	32,046
Other	287,737	217,879
Total revenues	<u>30,773,778</u>	<u>30,306,409</u>
Expenditures		
General government	8,655,441	8,330,068
Public safety	6,963,983	6,698,407
Public works and utilities	1,383,362	1,348,996
Health and welfare	8,315,058	7,547,563
Judicial	1,112,407	1,068,297
Cultural and recreation	1,698,468	1,402,248
Total expenditures	<u>28,128,719</u>	<u>26,395,579</u>
Excess revenues over expenditures	<u>2,645,059</u>	<u>3,910,830</u>
Other financing sources (uses)		
Proceeds from sale of capital assets	-	18,000
Transfers in	42,974	-
Transfers out	(3,095,937)	(1,881,539)
Total other financing uses	<u>(3,052,963)</u>	<u>(1,863,539)</u>
Net change in fund balances	<u>(407,904)</u>	<u>2,047,291</u>
Fund balance, beginning of year	<u>21,949,096</u>	<u>19,901,805</u>
Fund balance, end of year	<u>\$ 21,541,192</u>	<u>\$ 21,949,096</u>

Fairfield County, South Carolina

Combining Balance Sheet - Nonmajor Special Revenue Funds

June 30, 2018

	Tourism Promotion	Tourism Related	Transit System	Sheriff Seizure	Railroad Track Maintenance	Clerk of Court Incentive
Assets						
Cash and cash equivalents	\$ 37,429	\$ 145,363	\$ -	\$ 2,169	\$ 41,259	\$ 139,072
Accounts receivable, net	-	-	33	-	-	-
Due from other governments	-	-	162,955	-	-	590
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 37,429</u>	<u>\$ 145,363</u>	<u>\$ 162,988</u>	<u>\$ 2,169</u>	<u>\$ 41,259</u>	<u>\$ 139,662</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 25,239	\$ -	\$ 5,700	\$ -
Accrued liabilities	-	-	24,376	-	-	-
Due to other funds	-	-	91,454	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>141,069</u>	<u>-</u>	<u>5,700</u>	<u>-</u>
Fund balances						
Nonspendable - prepaid items	-	-	-	-	-	-
Restricted						
General government	-	-	-	-	-	-
Public safety	-	-	-	2,169	-	-
Health and welfare	-	-	21,919	-	-	-
Judicial	-	-	-	-	-	139,662
Cultural and recreation	37,429	145,363	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	35,559	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>37,429</u>	<u>145,363</u>	<u>21,919</u>	<u>2,169</u>	<u>35,559</u>	<u>139,662</u>
Total liabilities and fund balances	<u>\$ 37,429</u>	<u>\$ 145,363</u>	<u>\$ 162,988</u>	<u>\$ 2,169</u>	<u>\$ 41,259</u>	<u>\$ 139,662</u>

Fairfield County, South Carolina

Combining Balance Sheet - Nonmajor Special Revenue Funds

June 30, 2018

	Clerk of Court IV-D	Victim's Assistance	Airport	911 Tariff	County Donations	Workforce Investment Act
Assets						
Cash and cash equivalents	\$ -	\$ 2,141	\$ 67,357	\$ 892,370	\$ 28,733	\$ -
Accounts receivable, net	-	-	-	6,167	-	-
Due from other governments	17,259	-	220,821	24,642	-	83,207
Prepaid items	-	-	-	26,601	-	902
Total assets	\$ 17,259	\$ 2,141	\$ 288,178	\$ 949,780	\$ 28,733	\$ 84,109
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 255	\$ 6,950	\$ -	\$ 1,094	\$ 21,558
Accrued liabilities	1,235	1,886	-	-	-	4,921
Due to other funds	16,024	-	246,382	-	-	57,630
Total liabilities	17,259	2,141	253,332	-	1,094	84,109
Fund balances						
Nonspendable - prepaid items	-	-	-	26,601	-	902
Restricted						
General government	-	-	34,846	-	59	-
Public safety	-	-	-	-	21,465	-
Health and welfare	-	-	-	923,179	1,160	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	4,955	-
Committed						
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(902)
Total fund balance	-	-	34,846	949,780	27,639	-
Total liabilities and fund balances	\$ 17,259	\$ 2,141	\$ 288,178	\$ 949,780	\$ 28,733	\$ 84,109

Fairfield County, South Carolina

Combining Balance Sheet - Nonmajor Special Revenue Funds

June 30, 2018

	Justice Assistance Grant	Sheriff Drug Fund	Sheriff Child Support	Sheriff Judgments/ Executions	Sheriff Law Enforcement	Sex Offender
Assets						
Cash and cash equivalents	\$ 10,479	\$ 19,983	\$ 7,170	\$ 6,708	\$ 21,021	\$ 4,900
Accounts receivable, net	-	-	-	-	-	-
Due from other governments	-	-	3,102	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 10,479</u>	<u>\$ 19,983</u>	<u>\$ 10,272</u>	<u>\$ 6,708</u>	<u>\$ 21,021</u>	<u>\$ 4,900</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	834	-	-	-
Due to other funds	10,479	-	-	-	-	-
Total liabilities	<u>10,479</u>	<u>-</u>	<u>834</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable - prepaid items	-	-	-	-	-	-
Restricted						
General government	-	-	-	-	-	-
Public safety	-	19,983	9,438	6,708	21,021	4,900
Health and welfare	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>19,983</u>	<u>9,438</u>	<u>6,708</u>	<u>21,021</u>	<u>4,900</u>
Total liabilities and fund balances	<u>\$ 10,479</u>	<u>\$ 19,983</u>	<u>\$ 10,272</u>	<u>\$ 6,708</u>	<u>\$ 21,021</u>	<u>\$ 4,900</u>

Fairfield County, South Carolina

Combining Balance Sheet - Nonmajor Special Revenue Funds

June 30, 2018

	Element Access Road	Grant Subfunds	Total Nonmajor Special Revenue Funds
Assets			
Cash and cash equivalents	\$ 61,500	\$ 12,262	\$ 1,499,916
Accounts receivable, net	-	-	6,200
Due from other governments	-	177,956	690,532
Prepaid items	-	-	27,503
Total assets	<u>\$ 61,500</u>	<u>\$ 190,218</u>	<u>\$ 2,224,151</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 60,796
Accrued liabilities	-	-	33,252
Due to other funds	-	187,612	609,581
Total liabilities	<u>-</u>	<u>187,612</u>	<u>703,629</u>
Fund balances			
Nonspendable - prepaid items	-	-	27,503
Restricted			
General government	-	-	34,905
Public safety	-	2,606	88,290
Health and welfare	-	-	946,258
Judicial	-	-	139,662
Cultural and recreation	-	-	187,747
Committed			
Cultural and recreation	-	-	35,559
Capital outlay	61,500	-	61,500
Unassigned	-	-	(902)
Total fund balance	<u>61,500</u>	<u>2,606</u>	<u>1,520,522</u>
Total liabilities and fund balances	<u>\$ 61,500</u>	<u>\$ 190,218</u>	<u>\$ 2,224,151</u>

Fairfield County, South Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

For the fiscal year ended June 30, 2018

	Tourism Promotion	Tourism Related	Transit System	Sheriff Seizure	Railroad Track Maintenance	Clerk of Court Incentive
Revenues						
Taxes	\$ 48,595	\$ 105,290	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	252,584	-	-	7,197
Licenses, permits, fines and fees	-	-	-	-	-	-
Charges for services	-	-	393,912	-	-	-
Investment income	-	-	-	2	-	-
Other	-	-	11,690	-	-	-
Total revenues	48,595	105,290	658,186	2	-	7,197
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	26	-	-
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	862,637	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	51,812	77,505	-	-	24,264	-
Capital outlay	-	-	185,717	-	-	-
Total expenditures	51,812	77,505	1,048,354	26	24,264	-
Excess (deficiency) of revenues over (under) expenditures	(3,217)	27,785	(390,168)	(24)	(24,264)	7,197
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	900	-	-	-
Transfers in	-	-	389,268	-	15,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	390,168	-	15,000	-
Net change in fund balance	(3,217)	27,785	-	(24)	(9,264)	7,197
Fund balances, beginning of year	40,646	117,578	21,919	2,193	44,823	132,465
Fund balances, end of year	\$ 37,429	\$ 145,363	\$ 21,919	\$ 2,169	\$ 35,559	\$ 139,662

Fairfield County, South Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

For the fiscal year ended June 30, 2018

	Clerk of Court IV-D	Victim Assistance	Airport	911 Tariff	County Donations	Workforce Investment Act
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	115,556	-	282,610	139,959	-	387,987
Licenses, permits, fines and fees	-	34,201	-	173,369	-	-
Charges for services	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Other	-	-	-	-	34,671	-
Total revenues	115,556	34,201	282,610	313,328	34,671	387,987
Expenditures						
General government	-	-	8,423	-	-	388,609
Public safety	-	82,980	-	-	15,555	-
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	181,962	-	-
Judicial	72,581	-	-	-	-	-
Cultural and recreation	-	-	-	-	2,545	-
Capital outlay	-	-	292,613	-	-	-
Total expenditures	72,581	82,980	301,036	181,962	18,100	388,609
Excess (deficiency) of revenues over (under) expenditures	42,975	(48,779)	(18,426)	131,366	16,571	(622)
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	9,052	-	-	-	622
Transfers out	(42,975)	-	-	-	-	-
Total other financing sources (uses)	(42,975)	9,052	-	-	-	622
Net change in fund balance	-	(39,727)	(18,426)	131,366	16,571	-
Fund balances, beginning of year	-	39,727	53,272	818,414	11,068	-
Fund balances, end of year	\$ -	\$ -	\$ 34,846	\$ 949,780	\$ 27,639	\$ -

Fairfield County, South Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

For the fiscal year ended June 30, 2018

	Justice Assistance Grant	Sheriff Drug Fund	Sheriff Child Support	Sheriff Judgments/ Executions	Sheriff Law Enforcement	Sex Offender
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	3,102	-	-	-
Licenses, permits, fines and fees	-	-	-	-	-	1,200
Charges for services	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Other	-	708	-	-	5,003	-
Total revenues	-	708	3,102	-	5,003	1,200
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	1,209	24,634	-	7,504	-
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	1,209	24,634	-	7,504	-
Excess (deficiency) of revenues over (under) expenditures	-	(501)	(21,532)	-	(2,501)	1,200
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	21,532	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	21,532	-	-	-
Net change in fund balance	-	(501)	-	-	(2,501)	1,200
Fund balances, beginning of year	-	20,484	9,438	6,708	23,522	3,700
Fund balances, end of year	\$ -	\$ 19,983	\$ 9,438	\$ 6,708	\$ 21,021	\$ 4,900

Fairfield County, South Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
For the fiscal year ended June 30, 2018

	Element Access Road	Grant Subfunds	Total Nonmajor Special Revenue Funds
Revenues			
Taxes	\$ -	\$ -	\$ 153,885
Intergovernmental	-	276,661	1,515,656
Licenses, permits, fines and fees	-	-	208,770
Charges for services	-	-	393,912
Investment income	-	-	2
Other	-	-	52,072
Total revenues	-	276,661	2,324,297
Expenditures			
General government	-	36,293	433,325
Public safety	-	88,065	219,973
Public works and utilities	-	9,769	59,769
Health and welfare	-	57,780	1,102,379
Judicial	-	-	72,581
Cultural and recreation	-	-	156,126
Capital outlay	-	93,146	571,476
Total expenditures	-	285,053	2,615,629
Excess (deficiency) of revenues over (under) expenditures	-	(8,392)	(291,332)
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	900
Transfers in	-	10,892	446,366
Transfers out	-	-	(42,975)
Total other financing sources (uses)	-	10,892	404,291
Net change in fund balance	-	2,500	112,959
Fund balances, beginning of year	61,500	106	1,407,563
Fund balances, end of year	\$ 61,500	\$ 2,606	\$ 1,520,522

Fairfield County, South Carolina

Combining Balance Sheet - Nonmajor Capital Project Funds

June 30, 2018

	Capital Improvement Projects	Road Improvement Program	Phase II Commerce Center	Water and Sewer Program	Solid Waste & Recycling Capital Fund	Economic Development Fund	Vehicle Replacement Program	WB Industrial Park Fund	Total Nonmajor Capital Project Funds
Assets									
Cash and cash equivalents	\$ 949,842	\$ 650,191	\$ 167,375	\$ 62,487	\$ 227,101	\$ 55,431	\$ 57,385	\$ 28,500	\$ 2,198,312
Accounts receivable, net	-	-	-	-	-	13,500	1,496	-	14,996
Due from other funds	225,000	-	-	850,000	-	-	425,000	-	1,500,000
Due from other governments	-	664,012	-	-	-	-	9,310	-	673,322
Land and building held for sale	-	-	-	-	-	-	-	1,144,000	1,144,000
Total assets	<u>\$ 1,174,842</u>	<u>\$ 1,314,203</u>	<u>\$ 167,375</u>	<u>\$ 912,487</u>	<u>\$ 227,101</u>	<u>\$ 68,931</u>	<u>\$ 493,191</u>	<u>\$ 1,172,500</u>	<u>\$ 5,530,630</u>
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 47,475	\$ 324,824	\$ -	\$ -	\$ 2,626	\$ -	\$ 4,689	\$ 319	\$ 379,933
Retainage payable	-	28,846	-	-	-	-	-	-	28,846
Due to other funds	-	631,307	-	-	-	-	-	943,748	1,575,055
Due to other agencies	-	-	-	-	-	-	-	200,000	200,000
Total liabilities	<u>47,475</u>	<u>984,977</u>	<u>-</u>	<u>-</u>	<u>2,626</u>	<u>-</u>	<u>4,689</u>	<u>1,144,067</u>	<u>2,183,834</u>
Fund balances									
Committed									
Public works and utilities	-	-	-	912,487	224,475	-	-	-	1,136,962
Capital outlay	1,127,367	329,226	167,375	-	-	68,931	488,502	28,433	2,209,834
Total fund balances	<u>1,127,367</u>	<u>329,226</u>	<u>167,375</u>	<u>912,487</u>	<u>224,475</u>	<u>68,931</u>	<u>488,502</u>	<u>28,433</u>	<u>3,346,796</u>
Total liabilities and fund balances	<u>\$ 1,174,842</u>	<u>\$ 1,314,203</u>	<u>\$ 167,375</u>	<u>\$ 912,487</u>	<u>\$ 227,101</u>	<u>\$ 68,931</u>	<u>\$ 493,191</u>	<u>\$ 1,172,500</u>	<u>\$ 5,530,630</u>

Fairfield County, South Carolina

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds

For the year ended June 30, 2018

	Capital Improvement Projects	Road Improvement Program	Phase II Commerce Center	Water and Sewer Program	Solid Waste & Recycling Capital Fund	Economic Development Fund	Vehicle Replacement Program	WB Industrial Park Fund	Total Nonmajor Capital Project Funds
Revenues									
Intergovernmental	\$ 125,940	\$ 1,762,487	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,388,427
Licenses, permits, fines and fees	-	116,145	-	-	-	-	-	-	116,145
Other	228,777	-	20,000	-	-	13,500	19,352	-	281,629
Total revenues	354,717	1,878,632	520,000	-	-	13,500	19,352	-	2,786,201
Expenditures									
General government	455,764	-	-	-	15,277	-	21,659	6,217	498,917
Public works and utilities	-	1,864,827	-	-	-	-	-	-	1,864,827
Capital outlay	1,443,790	-	571,625	-	29,992	1,899,748	752,617	-	4,697,772
Total expenditures	1,899,554	1,864,827	571,625	-	45,269	1,899,748	774,276	6,217	7,061,516
Excess (deficiency) of revenues over (under) expenditures	(1,544,837)	13,805	(51,625)	-	(45,269)	(1,886,248)	(754,924)	(6,217)	(4,275,315)
Other financing sources (uses)									
Proceeds from sale of capital assets	9,250	-	-	-	-	-	48,902	-	58,152
Transfers in	1,487,646	-	-	-	145,000	-	1,006,025	10,900	2,649,571
Total other financing sources (uses)	1,496,896	-	-	-	145,000	-	1,054,927	10,900	2,707,723
Net change in fund balances	(47,941)	13,805	(51,625)	-	99,731	(1,886,248)	300,003	4,683	(1,567,592)
Fund balances, beginning of year	1,175,308	315,421	219,000	912,487	124,744	1,955,179	188,499	23,750	4,914,388
Fund balances, end of year	\$ 1,127,367	\$ 329,226	\$ 167,375	\$ 912,487	\$ 224,475	\$ 68,931	\$ 488,502	\$ 28,433	\$ 3,346,796

Fairfield County, South Carolina*Schedule of Budget to Actual Costs - South Carolina Department of Transportation Contracts**For the fiscal year ended June 30, 2018*

	Federal	State	Local	Total	Budget	Variance with Budget
<u>PT-74711-33</u>						
Administration						
Personnel	\$ 9,371	\$ 2,226	\$ 117	\$ 11,714	\$ 35,337	\$ 23,623
Fringe benefits	2,801	665	35	3,501	10,516	7,015
Total administration	12,172	2,891	152	15,215	45,853	30,638
Operations						
Personnel	12,687	6,343	6,343	25,373	25,000	(373)
Fringe benefits	4,256	2,128	2,128	8,512	10,500	1,988
Vehicle services	195	98	98	391	5,500	5,109
Fuel and lubricants	1,646	823	823	3,292	10,000	6,708
Tires and tubes	544	272	272	1,088	8,000	6,912
Miscellaneous expenses						
Uniforms/clothing	88	44	44	176	3,000	2,824
Rental/Lease-Vehicles	1,108	554	554	2,216	6,000	3,784
Rental/Lease-Other	313	157	157	627	2,000	1,373
Telephone/cell phone	183	92	92	367	2,000	1,633
Medical services	81	41	41	163	3,500	3,337
Travel	12	6	6	24	680	656
Total operations	21,113	10,558	10,558	42,229	76,180	33,951
Capital						
Preventive maintenance	22,805	3,029	2,671	28,505	30,293	1,788
Total capital	22,805	3,029	2,671	28,505	30,293	1,788
Total contract - PT-74711-33	\$ 56,090	\$ 16,478	\$ 13,381	\$ 85,949	\$ 152,326	\$ 66,377
<u>PT-74711-V3</u>						
Capital						
Bus < 30 ft.						
Suset conversion van	\$ -	\$ 180,000	\$ -	\$ 180,000	\$ 180,000	\$ -
Total capital	-	180,000	-	180,000	180,000	-
Total contract - PT-74711-V3	\$ -	\$ 180,000	\$ -	\$ 180,000	\$ 180,000	\$ -

Fairfield County, South Carolina
**Schedule of Court Fines, Surcharges and Assessment Activity - Victim's Assistance Fund
For the fiscal year ended June 30, 2018**
Court fines

Collected	\$ 20,742
Retained by County	1,093
	<u>\$ 19,649</u>

Court assessments

Collected	185,926
Retained by County	18,997
	<u>\$ 166,929</u>

Court surcharges

Collected	\$ 103,321
Retained by County	14,111
	<u>\$ 89,210</u>

Victim's assistance

Court assessments	\$ 20,090
Court surcharges	14,111
Transfers	9,052
	<u>43,253</u>
Allocated to Victim's Assistance	82,980
Victim's Assistance expenditures	<u>(39,727)</u>

Fund balance, beginning of year
39,727
Fund balance, end of year
\$ -

Fairfield County, South Carolina

Computation of Legal Debt Margin

June 30, 2018

Assessed value (1)		\$ 158,982,771
Debt limit - 8% of assessed value (2)		\$ 12,718,622
Amount of debt applicable to debt limit (3):		
Total general obligation bonds	\$ 4,567,685	
Less: Debt service funds available	<u>987,492</u>	
Total debt applicable to debt limit		<u>3,580,193</u>
Legal debt margin		<u>\$ 9,138,429</u>

NOTES:

- (1) The assessed valuation shown is the assessed value at December 31, 2017 used for 2018 property tax computations.
- (2) The legal debt limit is controlled by Article X, Section 14 of the Constitution of the State of South Carolina.
- (3) The legal debt limit governed by Article X of the Constitution of the State of South Carolina provides that each county, township, school district, municipality or subdivision may issue bonded indebtedness up to eight percent of the assessed value of all corporation or political division property therein. The debt limit of eight percent can be exceeded only after a referendum of the voters is affected.

Single Audit Section

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed In Accordance With *Government Auditing Standards***

Fairfield County Council
Fairfield County, South Carolina

We have audited, 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 of America, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fairfield County, South Carolina (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 11, 2019. The financial statements of the Fairfield County Library Commission and Fairfield County Council on Aging were not audited in accordance with *Government Auditing Standards*.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2018-001, which we consider to be a significant deficiency.

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*.

The County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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



Columbia, South Carolina
March 11, 2019

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

Fairfield County Council
Fairfield County, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Fairfield County'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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, 2018.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Columbia, South Carolina
March 11, 2019

Fairfield County, South Carolina

Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2018

Federal Grant/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Federal Grantor's/ Pass-Through Grantor's Number	Federal Expenditures
Workforce Investment Act - Cluster			
U.S. Department of Labor			
Passed through South Carolina Department of Employment Workforce			
Workforce Investment Act - Adult Program	17.258	17A294F1	\$ 82,482
Workforce Investment Act - Dislocated Workers	17.278	17D294F1	87,703
Workforce Investment Act - Youth	17.259	17Y294F1	217,801
Total Workforce Investment Act - Cluster			<u>387,986</u>
Other Programs			
U.S. Department of Agriculture			
Direct assistance			
Rural Development, Forestry and Communities	10.672		17,772
Total U.S. Department of Agriculture			<u>17,772</u>
U.S. Department of Housing and Urban Development			
Passed through South Carolina Department of Commerce			
Community Development Bolck Grant Program - Rural Planning Grant	14.228	4-RP-16-004	50,000
Total U.S. Department of Justice			<u>50,000</u>
U.S. Department of Transportation			
Passed through the South Carolina Department of Transportation, Office of Public Transit			
Formula Grants for Rural Areas			
Section 5311 - Formula Grant	20.509	PT84711-49	56,090
			<u>56,090</u>
Passed through the South Carolina Department of Commerce/Division of Aeronautics			
Airport Improvement Program			
Airport Runway and Taxiway Lighting and Signage Improvement Design	20.106	3-45-0058-015-2016	7,282
Airport Runway and Taxiway Lighting and Signage Improvement Construction	20.106	3-45-0058-016-2017	263,351
			<u>270,633</u>
Total U.S. Department of Transportation			<u>326,723</u>
U.S. Department of Homeland Security			
Passed through South Carolina Adjutant General's Office			
Emergency Management Performance Grant	97.042	17EMPG01	56,856
Passed through South Carolina Emergency Management Division:			
Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4241-DR-SC	72,140
Direct assistance			
Assistance to Firefighters Grant	97.044	EMW-2016-FO-00773	130,286
Total U.S. Department of Homeland Security			<u>259,282</u>
U.S. Department of Health And Human Services			
Passed through South Carolina Department of Social Services			
Child Support Enforcement Title IV-D Incentives	93.563	C17020C	82,881
Total U.S. Department of Health and Human Services			<u>82,881</u>
Total federal assistance expended (accrual basis of accounting)			<u>\$ 1,124,644</u>

Fairfield County, South Carolina***Schedule of Expenditures of Federal Awards******For the fiscal year ended June 30, 2018***

Note A - Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant award activity of Fairfield County, South Carolina (the "County"). The information in this schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended and does not present the financial position or changes in net position or cash flows of the County.

Note B - Basis of Presentation

Expenditures reported on the Schedule of Expenditures of Federal Awards 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. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Fairfield County, South Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

I. Summary of Auditor's Results

Financial Statements

- (a.) Type of auditor's report issued: Unmodified
- (b.) Internal control over financial reporting:
 - 1) Material weaknesses identified? No
 - 2) Significant deficiencies identified? Yes
- (c.) Noncompliance material to financial statements noted? No

Federal Awards

- (a.) Internal control over major federal programs:
 - 1) Material weaknesses identified? No
 - 2) Significant deficiencies identified? None reported
- (b.) Type of auditor's report issued on compliance for major federal programs? Unmodified
- (c.) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? No
- (d.) Identification of major programs:

CFDA Number	Name of Federal Program
20.106	Airport Improvement Program
- (e.) Dollar threshold used to distinguish between type A and type B programs: \$750,000
- (f.) Auditee qualified as low risk auditee? Yes

II. Financial Statement Findings

Item 2018-001: Timely Review of Bank Reconciliations

Condition: The Treasurer’s Office and the Family Court did not perform timely preparation and review of the reconciliations of certain bank accounts held by the County, including the County’s operating account.

Criteria: The County is responsible for the timely preparation and review of its bank accounts.

Cause: The County outsources the task of preparing bank account reconciliations to a third party service provider for certain bank accounts; however, there is not a policy for ensuring the reconciliations are received and reviewed in a timely manner.

Effect: The County increases its risk of not identifying potential fraud or material errors in a timely manner.

Context: We noted the above condition during testing of the County’s internal controls over bank reconciliations.

Recommendation: The County should establish a formal policy for receiving and reviewing bank reconciliations in a timely manner. Services performed by a third party should be reviewed by appropriate County personnel to ensure completeness and accuracy.

Views of Responsible Officials and Planned Corrective Actions: Moving forward, the Treasurer’s Office will implement policies and procedures to timely receive and review all bank reconciliations. Any discrepancies or variances will be investigated in a timely manner to facilitate the reconciliation process. After reviewing the reconciliations, the proper Treasurer’s Office personnel will approve the reconciliation to verify completeness and accuracy. Any reconciliations required to be re-done as a result of adjustments and/or corrections to the general ledger will be noted. The Clerk of Court is aware of the untimely preparation of the Family Court bank reconciliations. This issue has been discussed with the third party service provider. If improvement is not made, the Clerk of Court will consider changing providers.

III. Federal Award Findings and Questioned Costs

None reported



Fairfield County Council

P.O. Drawer 60
Winnsboro, South Carolina 29180
Telephone: (803) 635-1415
Fax: (803) 635-5969

JASON TAYLOR
County Administrator

DAVIS ANDERSON
Deputy County Administrator

LAURA JOHNSON
Comptroller

ANNE BASS
Deputy Comptroller

Fairfield County

Summary Schedule of Prior Audit Findings for the year ended June 30, 2018

In accordance with Government Auditing Standards, issued by the Comptroller General of the United States of America, the following is the status of known material findings and recommendations from prior year audits:

Item 2016-001: Information Technology (IT)

Condition: We noted the following instances related to IT security:

- Formal policies - The County does have a written IT security policy in place that documents the County's access and security-related standards.
- Password settings - The County allows unlimited server login attempts without system lockout.
- User IDs - The County allows New World "administrators" to log into the system for normal daily activities and may use a shared account. The County's IT personnel have full access to the accounting system.

Current Action Taken/Current Status: The County provided the following responses to our findings described above:

- Formal policies - A formal Information Security Policy now exists in the Information Technology Department.
- Password settings - Password settings is now in compliance via Active Directory
- User IDs - The Information Technology Department still has access to the Finance system but Laura Johnson can run a report on when Information Technology has accessed the system

Item 2016-002: Treasurer's Office - Timely Review of Bank Reconciliations

Condition: The Treasurer's Office did not perform timely review on the reconciliation of certain bank accounts held by the County, including the County's operating account.

Item 2016-002: Treasurer's Office - Timely Review of Bank Reconciliations, Continued

Current Action Taken/Current Status: The Treasurer's Office continues to implement and clarify policies and procedures to expedite the receiving and reviewing of bank reconciliations. Any discrepancies or variances will be investigated in a timely manner to facilitate the reconciliation process. After reviewing the reconciliations, the proper Treasurer's Office personnel will approve the reconciliation to verify completeness and accuracy. Any reconciliations required to be re-done as a result of adjustments and/or corrections made by the Treasurer's office or other departments to the general ledger will be noted.

Item 2017-001: Segregation of Duties – Capital Assets

Condition: There is inadequate segregation of duties related to the recording of the County's capital assets.

Current Action Taken/Current Status: The County approved a temporary position in the Finance Department in the fiscal year 2018 budget to assist with capital assets. This position has recently been filled.