

REPORT ON FINANCIAL STATEMENTS
OF
FAIRFIELD COUNTY
WINNSBORO, SOUTH CAROLINA
FOR THE YEAR ENDED
JUNE 30, 2012

FAIRFIELD COUNTY
WINNSBORO, SOUTH CAROLINA

Report on Financial Statements
For the year ended June 30, 2012

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FAIRFIELD COUNTY
WINNSBORO, SOUTH CAROLINA

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, 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, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Fairfield County, South Carolina, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Funding Progress for the Other Post Employment Benefit Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Elliott Davis, LLC

Columbia, South Carolina
December 10, 2012

FAIRFIELD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

As management of Fairfield County, we offer readers of Fairfield County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. 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 687 square miles
- Within 30 miles of the geographic center of South Carolina
- Stable population of 23,956
- 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 Fairfield 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, Fairfield 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 while 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.

FINANCIAL HIGHLIGHTS

- The County's financial condition has continued to maintain revenues at a relatively constant level over this period.
- **Net assets** - The County's governmental activities assets exceeded its liabilities at June 30, 2012 by \$41,452,699 (net assets). Of this amount, \$12,090,206 were unrestricted net assets, which means these funds may be used to meet the County's ongoing obligations.
- **Change in net assets** - The County's net assets increased over the course of this year's operations. Net assets of the governmental activities increased by \$1,379,583.
- **General fund** - The principal operating fund of the County is the general fund. In fiscal year 2012, general fund revenues and other financing sources, which primarily consisted of property taxes and intergovernmental revenues, were \$24,023,513. Expenditures and net transfers out of the general fund were \$27,874,098. This resulted in an decrease in the fund balance for the year of \$3,850,585.
- **General fund budget** - The general fund actual revenues were greater than the final budget amounts by \$2,068,904 due primarily to greater than expected collections of sales taxes. General fund actual expenditures were more than the final budget amounts by \$834,043. This variance is primarily due to an additional funding provided to Fairfield Memorial Hospital.

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 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 Assets 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 assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

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 fund balance sheet and the governmental fund 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 17 to 33.

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$41,452,699 as of June 30, 2012.

By far the largest portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its Fairfield County 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.

The County's financial position is the product of several financial 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 assets for the fiscal years ended June 30, 2012 and 2011.

	<u>2012</u>	<u>2011</u>	<u>Percentage Change</u>
Current assets	\$ 21,094,679	\$ 25,423,039	(17.0)%
Noncurrent assets	530,030	585,120	(9.4)%
Capital assets, net	<u>30,351,748</u>	<u>25,238,882</u>	20.3%
Total assets	<u>51,976,457</u>	<u>51,247,041</u>	1.4%
Current liabilities	2,702,957	2,787,638	(3.0)%
Long-term liabilities	<u>7,820,801</u>	<u>8,386,287</u>	(6.7)%
Total liabilities	<u>10,523,758</u>	<u>11,173,925</u>	(5.8)%
Net assets			
Invested in capital assets, net of related debt	25,790,343	20,845,055	23.7%
Restricted	3,572,150	3,293,320	8.5%
Unrestricted	<u>12,090,206</u>	<u>15,934,741</u>	(24.1)%
Total net assets	<u>\$ 41,452,699</u>	<u>\$ 40,073,116</u>	3.4%

Change in net assets - The County's total revenues for the fiscal year ended June 30, 2012 were \$35,724,785. The total cost of all programs and services was \$34,345,202. The table below presents a summary of the activity that resulted in changes in net assets for the fiscal years ended June 30, 2012 and 2011.

Compared to fiscal year 2011, the County's revenues and expenses increased due primarily to the following:

- **Operating and capital grants and contributions**- The County recognized an increase in grants during fiscal year 2012 to fund for various County projects and initiatives. The most significant grant was approximately \$2.0 million in federal sources to fund repairs and maintenance at the County's airport. In addition, the County received approximately \$542,000 in additional state funds to improve dirt roads throughout the County.
- **Property and accommodations taxes** - The County increased their property tax millage rate for the 2011 tax year.
- **Sales taxes** - The increase in sales taxes are a result of the County's focus on bringing additional economic development to the County.
- **Intergovernmental** - During fiscal year 2012, the County recorded an initial \$465,000 rent in-kind contribution from the State of South Carolina for the right to use the 186,000 square foot HON facility.
- **Dissolution of the Rural Fire Protection District component unit** - During April 2011, County Council elected to dissolve the Rural Fire Protection District (the District) as a component unit of the County. The County recorded the District's fund balance as of the date of the dissolution as an other financing source in the newly established Fire Protection Tax District special revenue fund.
- **General government** - General government expenses increased by approximately \$3.4 million. The majority of the increase was attributable to the airport grant and rent expense recorded for the HON facility described above. In addition, the County performed various repairs and maintenance projects on buildings that had been deferred for years.
- **Public works** - Public safety, works and utilities increased during fiscal year 2012 due to the increase in road improvement grant funding noted above.
- **Health and welfare** - During fiscal year 2012, the County provided Fairfield Memorial Hospital (the Hospital) with an additional \$1.2 million in funding to assist the Hospital in meeting its current administrative expenses. The County also established a full allowance writing off the Hospital's \$333,333 outstanding note receivable due to the County.

	2012	2011	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 2,805,655	\$ 2,614,129	7.3%
Operating grants and contributions	2,656,575	1,514,308	75.4%
Capital grants and contributions	2,159,839	1,451,741	48.8%
General revenues			
Property and accommodations taxes	24,013,681	22,621,510	6.2%
Sales taxes	2,289,393	1,999,954	14.5%
Investment income	122,434	173,351	(29.4)%
Intergovernmental	1,438,249	990,561	45.2%
Gain (loss) on sale of capital assets	115,128	(65,222)	(276.5)%
Miscellaneous	123,831	180,555	(31.4)%
Dissolution of the Rural Fire Protection District component unit	-	1,034,340	(100.0)%
Total revenues	<u>35,724,785</u>	<u>32,515,227</u>	9.9%
Expenses			
General government	12,794,990	9,345,873	36.9%
Public safety	5,913,785	5,278,314	12.0%
Public works and utilities	2,723,453	1,591,413	71.1%
Health and welfare	10,123,665	8,311,694	21.8%
Judicial	1,026,716	1,040,443	(1.3)%
Cultural and recreation	1,436,897	1,512,204	(5.0)%
Interest and fiscal charges	<u>325,696</u>	<u>376,053</u>	(13.4)%
Total expenses	<u>34,345,202</u>	<u>27,455,994</u>	25.1%
Increase in net assets	<u>\$ 1,379,583</u>	<u>\$ 5,059,233</u>	(72.7)%

Governmental activities - The table below presents the cost of the seven major functional activities: general government, public safety, public works, health and welfare, judicial, cultural and recreation, and debt service. 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.

	Total Expenses	Net Expense
General government	\$ 12,794,990	\$ 8,976,936
Public safety	5,913,785	4,822,456
Public works and utilities	2,723,453	1,487,658
Health and welfare	10,123,665	9,367,637
Judicial	1,026,716	422,134
Cultural and recreation	1,436,897	1,320,616
Interest and fiscal charges	<u>325,696</u>	<u>325,696</u>
Total expenses	<u>\$ 34,345,202</u>	<u>\$ 26,723,133</u>

The cost of all governmental activities this year was \$34,345,202. Expenses consist primarily of general government, public safety, and health and welfare totaling \$12,794,990, \$5,913,785 and \$10,123,665, respectively. Net cost of governmental activities was \$26,723,133 which was financed by general revenues and beginning net assets. General revenues consist primarily of property and accommodations taxes of \$24,013,681.

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 \$19,370,873. Approximately \$2,855,253 or 15% of the fund balance is unassigned and is 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 \$3,850,585 which was mainly the result of budgeted use of fund balance for transfers to various capital project funds and additional funding provided to Fairfield Memorial Hospital.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of June 30, 2012, the County had invested, net of related debt, \$25,790,343 in capital assets, including land, land improvements, buildings and improvements, leasehold improvements, infrastructure, vehicles, computers, and other equipment. Total depreciation expense for the year was \$2,098,524.

The schedule below presents capital asset balances, net of depreciation, for the fiscal year ended June 30, 2012.

Capital assets, not being depreciated	
Land	\$ 2,500,481
Construction in progress	<u>2,850,412</u>
	<u>5,350,893</u>
Capital assets, being depreciated	
Land improvements	23,081,220
Buildings and improvements	18,540,253
Leasehold improvements	1,492,572
Infrastructure	1,106,890
Machinery and equipment	15,347,108
Software	<u>330,159</u>
	59,898,202
Less accumulated depreciation	<u>34,897,347</u>
Total capital assets, being depreciated, net	<u>25,000,855</u>
Net capital assets	<u>\$ 30,351,748</u>

Debt Administration - At year end, the County had \$6,580,000 in general obligation bonds of which \$715,000 is due within one year.

ECONOMIC FACTORS AND BUDGETARY PROJECTIONS

Unlike a typical county, Fairfield County's revenue stream is relatively constant. This is due primarily to a licensed electrical generating facility located in our county, which accounts for over 41% of our tax revenues. The facility is in the process of renewing their license for another 20 years, 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, P.O. Drawer 60, Winnsboro, South Carolina 29180.

FAIRFIELD COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit 1

	Primary Government Governmental Activities	Component Unit Library Commission
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,989,881	\$ 237,544
Taxes receivable, net	633,419	-
Accounts receivable, net	31,307	-
Investments	-	11,826
Due from primary government	-	13,184
Due from other governmental units	2,255,334	-
Prepaid items	61,298	-
Notes receivable	363,750	-
Investment - land and building	759,690	-
Total current assets	<u>21,094,679</u>	<u>262,554</u>
Noncurrent assets		
Notes receivable	<u>530,030</u>	<u>-</u>
Capital assets		
Nondepreciable	5,350,893	-
Depreciable	59,898,202	1,832,442
Less accumulated depreciation	<u>(34,897,347)</u>	<u>(1,169,558)</u>
Total capital assets, net of accumulated depreciation	<u>30,351,748</u>	<u>662,884</u>
Total assets	<u>\$ 51,976,457</u>	<u>\$ 925,438</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,381,072	\$ -
Retainage payable	15,887	-
Accrued expenses	317,924	3,913
Due to taxpayers	3,559	-
Due to other agencies	219,457	-
Due to component unit	13,184	-
Due to other governmental units	9,541	-
General obligation bonds	715,000	-
Accrued compensated absences	<u>27,333</u>	<u>14,857</u>
Total current liabilities	<u>2,702,957</u>	<u>18,770</u>
Long-term liabilities		
General obligation bonds	5,865,000	-
Accrued compensated absences	624,392	7,316
Other post employment benefit obligation	<u>1,331,409</u>	<u>-</u>
Total long-term liabilities	<u>7,820,801</u>	<u>7,316</u>
Total liabilities	<u>10,523,758</u>	<u>26,086</u>
NET ASSETS		
Invested in capital assets, net of related debt	25,790,343	662,884
Restricted for:		
General government programs	24,916	-
Public safety programs	1,401,431	-
Health and welfare programs	1,203,746	-
Judicial programs	80,223	-
Cultural and recreation programs	66,121	117,960
Capital improvements	209,429	37,272
Debt service	586,284	-
Unrestricted	<u>12,090,206</u>	<u>81,236</u>
Total net assets	<u>\$ 41,452,699</u>	<u>\$ 899,352</u>

The accompanying notes are an integral part of these basic financial statements.

FAIRFIELD COUNTY
STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2012

Exhibit 2

FUNCTIONS/PROGRAMS					Net revenue (expense) and changes in net assets	
	Expenses	Program revenues			Primary government	Component unit
		Charges for sales and service	Operating grants and contributions	Capital grants and contributions	Governmental activities	Library Commission
Governmental activities						
General government	\$ 12,794,990	\$ 262,819	\$ 2,224,147	\$ 1,331,088	\$ (8,976,936)	
Public safety	5,913,785	1,059,732	31,597	-	(4,822,456)	
Public works and utilities	2,723,453	396,350	10,694	828,751	(1,487,658)	
Health and welfare	10,123,665	500,899	255,129	-	(9,367,637)	
Judicial	1,026,716	477,769	126,813	-	(422,134)	
Cultural and recreation	1,436,897	108,086	8,195	-	(1,320,616)	
Interest and fiscal charges	325,696	-	-	-	(325,696)	
Total governmental activities	<u>34,345,202</u>	<u>2,805,655</u>	<u>2,656,575</u>	<u>2,159,839</u>	<u>(26,723,133)</u>	
Component unit						
Library Commission	584,652	13,826	150,626	-		\$ (420,200)
Total	<u>\$ 34,929,854</u>	<u>\$ 2,819,481</u>	<u>\$ 2,807,201</u>	<u>\$ 2,159,839</u>		
General revenues:						
Property taxes					23,871,846	-
Sales tax					2,289,393	-
Accommodations tax					141,835	-
County appropriations					-	463,834
Investment income					122,434	735
Intergovernmental					1,438,249	-
Gain on sale of capital assets					115,128	-
Miscellaneous					<u>123,831</u>	<u>600</u>
Total general revenues					<u>28,102,716</u>	<u>465,169</u>
Change in net assets					<u>1,379,583</u>	<u>44,969</u>
Net assets, beginning of year					<u>40,073,116</u>	<u>854,383</u>
Net assets, end of year					<u>\$ 41,452,699</u>	<u>\$ 899,352</u>

The accompanying notes are an integral part of these basic financial statements.

FAIRFIELD COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

Exhibit 3

	General	Capital Improvements FY2010 GO Bonds	EMS	Nonmajor Governmental	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,260,055	\$ 2,907,651	\$ 775,888	\$ 7,046,287	\$ 16,989,881
Taxes receivable, net	495,458	-	71,666	66,295	633,419
Accounts receivable, net	26,087	-	20	5,200	31,307
Due from other funds	648,904	-	-	-	648,904
Due from other governmental units	1,179,397	-	2,942	1,072,995	2,255,334
Prepaid items	29,422	-	1,430	30,446	61,298
Notes receivable, net	500,000	-	-	393,780	893,780
Investment - land and building	-	-	-	759,690	759,690
Total assets	<u>\$ 9,139,323</u>	<u>\$ 2,907,651</u>	<u>\$ 851,946</u>	<u>\$ 9,374,693</u>	<u>\$ 22,273,613</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 514,917	\$ 12,426	\$ 59,680	\$ 794,049	\$ 1,381,072
Retainage payable	-	-	-	15,887	15,887
Accrued expenses	264,633	-	36,591	16,700	317,924
Deferred revenue	224,893	-	35,489	32,830	293,212
Due to general fund	-	-	21,813	627,091	648,904
Due to taxpayers	3,559	-	-	-	3,559
Due to other agencies	219,457	-	-	-	219,457
Due to component units	13,184	-	-	-	13,184
Due to other governmental units	9,541	-	-	-	9,541
Total liabilities	<u>1,250,184</u>	<u>12,426</u>	<u>153,573</u>	<u>1,486,557</u>	<u>2,902,740</u>
Fund balances:					
Nonspendable					
Prepaid items	29,422	-	1,430	30,446	61,298
Notes receivable	500,000	-	-	393,780	893,780
Investment - land and building	-	-	-	759,690	759,690
Restricted					
General government	-	-	-	24,916	24,916
Public safety	-	-	-	1,401,431	1,401,431
Health and welfare	-	-	696,943	506,803	1,203,746
Judicial	-	-	-	80,223	80,223
Cultural and recreation	-	-	-	66,121	66,121
Debt service	-	-	-	586,284	586,284
Capital outlay	-	2,228,024	-	-	2,228,024
Committed					
General government	3,480,000	-	-	-	3,480,000
Public works and utilities	-	-	-	1,928,184	1,928,184
Health and welfare	760,000	-	-	-	760,000
Cultural and recreation	-	-	-	57,476	57,476
Capital outlay	-	667,201	-	2,317,246	2,984,447
Unassigned	<u>3,119,717</u>	<u>-</u>	<u>-</u>	<u>(264,464)</u>	<u>2,855,253</u>
Total fund balances	<u>7,889,139</u>	<u>2,895,225</u>	<u>698,373</u>	<u>7,888,136</u>	<u>19,370,873</u>
Total liabilities and fund balances	<u>\$ 9,139,323</u>	<u>\$ 2,907,651</u>	<u>\$ 851,946</u>	<u>\$ 9,374,693</u>	<u>\$ 22,273,613</u>

The accompanying notes are an integral part of these basic financial statements.

FAIRFIELD COUNTY
RECONCILIATION OF BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit 4

Total governmental fund balances	\$	19,370,873
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Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds. These assets consist of:

Land	\$	2,500,481	
Construction in progress		2,850,412	
Land improvements		23,081,220	
Buildings and improvements		18,540,253	
Leasehold improvements		1,492,572	
Infrastructure		1,106,890	
Machinery and equipment		15,347,108	
Software		330,159	
Less accumulated depreciation		<u>(34,897,347)</u>	
			30,351,748

Some of the County's property tax revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and; therefore, are deferred in the funds.		293,212
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Long-term liabilities, including bonds payable, are not due and payable in the current period and; therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable		(6,580,000)	
Accrued compensated absences		(651,725)	
Other post employment benefit obligation		<u>(1,331,409)</u>	
			<u>(8,563,134)</u>

Net assets of governmental activities	\$	<u><u>41,452,699</u></u>
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The accompanying notes are an integral part of these basic financial statements.

FAIRFIELD COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the fiscal year ended June 30, 2012

Exhibit 5

	General	Capital Improvements FY2010 GO Bonds	EMS	Nonmajor Governmental	Total Governmental Funds
REVENUES					
Taxes	\$ 18,994,043	\$ -	\$ 2,535,093	\$ 2,539,873	\$ 24,069,009
Sales tax	2,289,393	-	-	-	2,289,393
Intergovernmental	1,438,249	1,106,088	-	3,710,326	6,254,663
Licenses, permits, fines and fees	837,439	-	-	188,229	1,025,668
Charges for services	415,312	-	1,010,577	354,098	1,779,987
Investment income	7,916	114,505	-	13	122,434
Miscellaneous	37,652	10	7,694	78,475	123,831
	<u>24,020,004</u>	<u>1,220,603</u>	<u>3,553,364</u>	<u>6,871,014</u>	<u>35,664,985</u>
Total revenues					
EXPENDITURES					
General government	7,174,323	-	-	4,205,520	11,379,843
Public safety	4,927,385	-	-	613,558	5,540,943
Public works and utilities	1,435,732	-	-	1,270,436	2,706,168
Health and welfare	5,673,167	-	3,237,885	840,769	9,751,821
Judicial	929,189	-	-	97,527	1,026,716
Cultural and recreation	1,262,009	-	-	102,978	1,364,987
Capital outlay	406,681	2,097,954	808,862	3,915,206	7,228,703
Debt service					
Principal retirement	51,029	-	42,972	730,286	824,287
Interest and fiscal charges	2,291	-	1,929	321,476	325,696
	<u>21,861,806</u>	<u>2,097,954</u>	<u>4,091,648</u>	<u>12,097,756</u>	<u>40,149,164</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>2,158,198</u>	<u>(877,351)</u>	<u>(538,284)</u>	<u>(5,226,742)</u>	<u>(4,484,179)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	3,509	34,495	-	94,437	132,441
Transfers in	21,944	-	-	6,034,236	6,056,180
Transfers out	(6,034,236)	-	-	(21,944)	(6,056,180)
	<u>(6,008,783)</u>	<u>34,495</u>	<u>-</u>	<u>6,106,729</u>	<u>132,441</u>
Total other financing sources (uses)					
Net change in fund balances	(3,850,585)	(842,856)	(538,284)	879,987	(4,351,738)
FUND BALANCES, BEGINNING OF YEAR	<u>11,739,724</u>	<u>3,738,081</u>	<u>1,236,657</u>	<u>7,008,149</u>	<u>23,722,611</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,889,139</u>	<u>\$ 2,895,225</u>	<u>\$ 698,373</u>	<u>\$ 7,888,136</u>	<u>\$ 19,370,873</u>

The accompanying notes are an integral part of these basic financial statements.

FAIRFIELD COUNTY
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, 2012

Exhibit 6

Total net change in fund balance - governmental funds \$ (4,351,738)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. 7,228,703

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in government funds. (2,098,524)

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 assets 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	115,128
Proceeds from sale of capital assets	(132,441)
	(17,313)

Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. (55,328)

Repayment of principal on bonds and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 824,287

Some expenses reported in the statement of activities do not require the use of current financial resources and; therefore, are not reported as expenditures in the governmental funds.

Increase in accrued compensated absences	(48,722)
Increase in other post employment benefit obligation	(101,782)
	(150,504)

Change in net assets of governmental activities \$ 1,379,583

The accompanying notes are an integral part of these basic financial statements.

FAIRFIELD COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

Exhibit 7

ASSETS

Cash and cash equivalents	\$ 9,157,817
Taxes receivable	<u>770,660</u>
 Total assets	 <u>\$ 9,928,477</u>

LIABILITIES

Due to individuals	\$ 900,150
Due to other governmental units	<u>9,028,327</u>
 Total liabilities	 <u>\$ 9,928,477</u>

The accompanying notes are an integral part of these basic financial statements.

FAIRFIELD COUNTY NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fairfield County, South Carolina (the County) is a political subdivision of the State of South Carolina, 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 government's accounting policies are described below.

A. Reporting Entity

Discretely Presented Component Unit - Using the criteria of GASB Codification Sec. 2100, the County has one discretely presented component unit and it has 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.

Audited financial statements of the component unit 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 assets 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. Fairfield 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

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.

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.

Capital Improvements FY 2010 GO Bonds - This fund is used to account for financial resources to be used for the acquisition of capital assets.

EMS - This fund is used to account for the accumulation of resources and the payments of daily operations attributable to EMS.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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. Exceptions to this general rule are charges between the government's landfill function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

In the government-wide financial statements, expenses are classified by function. In the fund financial statements, expenditures are classified as government funds by character.

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.

Reporting Entity

In accordance with GASB Codification Sec. 2100, this report includes all funds, account groups, organizations, institutions, agencies, departments and offices that are not legally separate from the County. Legally separate entities, referred to as component units, are also included in this report.

Basis of Accounting

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. On the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Under the modified accrual basis of accounting, revenues and expenditures are recognized when they become both measurable and available.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

The County follows GASB Codification Sec. N50, to account for non-exchange revenues. Nonexchange 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 fiscal 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 nonexchange 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 fiscal year end: delinquent taxes collected within 60 days of fiscal year end, sales tax, grants, interest, fees and charges for service.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2012, but which have not met the revenue recognition criteria, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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 operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred 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.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents, and Investments - For purposes of the statement of net assets, 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) and (2) 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), (2), and (5) 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Equity - (Continued)

At June 30, 2012, receivables for the County's individual major funds and other governmental funds in the aggregate including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>EMS</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Taxes	\$ 521,535	\$ 75,438	\$ 69,784	\$ 666,757
Accounts	<u>26,087</u>	<u>815,221</u>	<u>5,200</u>	<u>846,508</u>
Gross	547,622	890,659	74,984	1,513,265
Less:				
Allowance - taxes	26,077	3,772	3,489	33,338
Allowance - accounts	<u>-</u>	<u>815,201</u>	<u>-</u>	<u>815,201</u>
Net receivables	<u>\$ 521,545</u>	<u>\$ 71,686</u>	<u>\$ 71,495</u>	<u>\$ 664,726</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 15 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. Deferred 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 property, plant equipment, and infrastructure assets (e.g., roads, bridges, water & sewer systems, and similar items) 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Equity - (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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 years
Buildings and improvements	15 - 30 years
Leasehold improvements	15 years
Furniture and equipment	3 - 10 years
Machinery and equipment	5 - 10 years
Books	10 years
Infrastructure	50 years
Software	3 - 10 years

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 January 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.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their 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.

Property Taxes - The County follows GASB Codification Sec. N50 to account for non-exchange revenues that primarily consist of imposed non-exchange revenues or ad valorem taxes. Under the standard, a receivable is recorded when an enforceable legal claim for property taxes has arisen and revenue is recognized when the resources are available.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities and Equity - (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.

Subsequent Events - In preparing these financial statements, the County's management has evaluated events and transactions for potential recognition through December 10, 2012, the date these financial statements were available for issuance.

II. 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.

III. DETAILED NOTES ON ALL FUNDS

NOTE 1 - DEPOSITS AND INVESTMENTS

At June 30, 2012, the County's cash and investments included demand deposits and local government pools. The local government investment pool is managed by the State of South Carolina.

Under State law, the County is authorized to hold funds in deposit accounts with banking institutions and invest funds in the following items: obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent insured by an agency of the federal government, and/or certificates of deposit where the certificates are federally insured or collaterally secured by collateral of the types in the previously mentioned items.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. At June 30, 2012, the carrying amount of the County's deposits was \$16,977,942 and the bank balance was \$17,916,972.

State law requires that all of the County's deposits be covered by FDIC insurance or by collateral held in the pledging financial institutions' trust departments in the County's name. At June 30, 2012, all of the County's bank balance was insured or collateralized.

As of June 30, 2012, the County held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
South Carolina Local Government Investment Pool	<u>\$ 9,169,756</u>	N/A

Interest Rate Risk - 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.

Credit Risk - The County has no investment policy that would further limit its investment choices other than State law. As of June 30, 2012, the underlying security ratings of the County's investment in the South Carolina Local Government Investment Pool (LGIP) may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by writing to the following address:

The State Treasurer's Office
Local Government Investment Pool
Post Office Box 11778
Columbia, South Carolina 29211

Concentration of Credit Risk - The County places no limit on the amount the County may invest in any one issuer.

III. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 2 - INTERFUND ASSETS AND LIABILITIES

The balances of interfund receivables and payables at June 30, 2012 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 627,091
General Fund	EMS	<u>21,813</u>
		<u>\$ 648,904</u>

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, 2012 consisted of the following individual amounts:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 21,944
Nonmajor Governmental	General Fund	<u>6,034,236</u>
		<u>\$ 6,056,180</u>

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governments at June 30, 2012 in the governmental type funds consisted of the following:

	<u>State</u>	<u>Federal</u>	<u>Total</u>
General Fund	\$ 1,168,928	\$ 10,469	\$ 1,179,397
EMS	2,942	-	2,942
Nonmajor Governmental	<u>328,508</u>	<u>744,487</u>	<u>1,072,995</u>
	<u>\$ 1,500,378</u>	<u>\$ 754,956</u>	<u>\$ 2,255,334</u>

NOTE 4 - NOTES RECEIVABLE

In March 2011, the County issued a noninterest bearing note for \$400,000 from its General Fund to the Fairfield Memorial Hospital for the purpose of assisting the hospital in meeting its current administrative costs and expenses. The note became payable to the County beginning in April 2011 in monthly payments of \$13,333. During fiscal year 2012 the County only received payments totaling \$26,667 from the Hospital. Due to management's uncertainty as to the likelihood of collection, the County has recorded an allowance of \$333,333 for the full amount outstanding at June 30, 2012. This amount has been written off and included in the health and welfare function on the General Fund's Statement of Revenues, Expenditures and Changes in Fund Balance. The County plans to continue attempts to fully collect the note.

III. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 4 - NOTES RECEIVABLE - (Continued)

During fiscal year 2008, the County acquired land for the construction of a building within the W.B. Brown Industrial Park. During February 2011, the County sold the building to a private company for \$725,000. Per terms of the sales contract, the County received an initial deposit of \$200,000 on the date of closing and issued a noninterest bearing note for the remaining sales price. The note became payable to the County beginning in March 2011 in 60 monthly payments of \$8,750.

<u>Fiscal Year</u> <u>Ending</u>	<u>Amount</u>
2013	\$ 113,750
2014	105,000
2015	105,000
2016	<u>70,030</u>
Total minimum note payments	393,780
Less current portion	<u>113,750</u>
Long-term portion	<u>\$ 280,030</u>

In October 2011, the County issued a noninterest bearing note for \$500,000 from its General Fund to the Fairfield County Board of Disabilities and Special Needs for the purpose of assisting with financing for the construction of their new building. The note is payable in two payments of \$250,000 due on August 1, 2012 and August 1, 2013. As of June 30, 2012, the amount outstanding was \$500,000 with \$250,000 recorded as a current asset in the Statement of Net Assets.

NOTE 5 - CAPITAL ASSETS

Primary Government

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2012:

	<u>Balance,</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>June 30, 2012</u>
Capital assets, not being depreciated				
Land	\$ 2,442,597	\$ 57,884	\$ -	\$ 2,500,481
Construction in progress	<u>1,629,943</u>	<u>3,048,565</u>	<u>(1,828,096)</u>	<u>2,850,412</u>
Total capital assets, not being depreciated	<u>4,072,540</u>	<u>3,016,449</u>	<u>(1,828,096)</u>	<u>5,350,893</u>
Capital assets, being depreciated				
Land improvements	21,917,706	1,163,514	-	23,081,220
Buildings and improvements	16,608,230	1,932,023	-	18,540,253
Leasehold improvements	-	1,492,572	-	1,492,572
Infrastructure	1,106,890	-	-	1,106,890
Machinery and equipment	14,475,823	1,362,241	(490,956)	15,347,108
Software	<u>330,159</u>	<u>-</u>	<u>-</u>	<u>330,159</u>
Total capital assets, being depreciated	<u>54,438,808</u>	<u>5,950,350</u>	<u>(490,956)</u>	<u>59,898,202</u>
Accumulated depreciation	<u>(33,272,466)</u>	<u>(2,098,524)</u>	<u>473,643</u>	<u>(34,897,347)</u>
Total capital assets, being depreciated, net	<u>21,166,342</u>	<u>3,851,826</u>	<u>(17,313)</u>	<u>25,000,855</u>
Net capital assets	<u>\$ 25,238,882</u>	<u>\$ 6,958,275</u>	<u>\$ (1,845,409)</u>	<u>\$ 30,351,748</u>

III. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 5 - CAPITAL ASSETS - (Continued)

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

General government	\$ 1,264,643
Public safety	372,842
Public works and utilities	17,285
Health and welfare	371,844
Cultural and recreation	<u>71,910</u>
	<u>\$ 2,098,524</u>

Discretely Presented Component Units

The following is a summary of the changes in capital assets for the Library Commission for the fiscal year ended June 30, 2012:

	Balance, June 30, 2011	Additions	Reductions	Balance June 30, 2012
Capital assets, being depreciated				
Books	\$ 1,376,785	\$ 58,345	\$ (56,580)	\$ 1,378,550
Building	-	36,994	-	36,994
Machinery and equipment	<u>334,122</u>	<u>99,230</u>	<u>(16,454)</u>	<u>416,898</u>
Total capital assets, being depreciated	<u>1,710,907</u>	<u>194,569</u>	<u>(73,034)</u>	<u>1,832,442</u>
Accumulated depreciation				
Books	(849,867)	(52,868)	56,580	(846,155)
Building	-	(1,850)	-	(1,850)
Machinery and equipment	<u>(315,163)</u>	<u>(22,844)</u>	<u>16,454</u>	<u>(321,553)</u>
Less accumulated depreciation	<u>(1,165,030)</u>	<u>(77,562)</u>	<u>73,034</u>	<u>(1,169,558)</u>
Net capital assets	<u>\$ 545,877</u>	<u>\$ 117,007</u>	<u>\$ -</u>	<u>\$ 662,884</u>

NOTE 6 - HON FACILITY

The County has entered into a long-term lease agreement with the State of South Carolina (the State) for the use of their 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 \$2.50 per square foot. Based on their assessment, the County has recorded \$465,000 as an in-kind contribution from the State and rent expense in the General Fund for the year ended June 30, 2012.

III. DETAILED NOTES ON ALL FUNDS - (Continued)

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of the changes in general long-term liabilities for the fiscal year ended June 30, 2012:

	Balance, June 30, 2011	Additions	Reductions	Balance, June 30, 2012	Due in less than one year	Due in more than one year
General obligation bonds	\$ 7,270,000	\$ -	\$ 690,000	\$ 6,580,000	\$ 715,000	\$ 5,865,000
Capital lease	134,287	-	134,287	-	-	-
Accrued compensated absences	603,003	82,525	33,803	651,725	27,333	624,392
Total long-term liabilities	<u>\$ 8,007,290</u>	<u>\$ 82,525</u>	<u>\$ 858,090</u>	<u>\$ 7,231,725</u>	<u>\$ 742,333</u>	<u>\$ 6,489,392</u>

General obligation bonds consist of the following at June 30, 2012:

\$6,750,000 general obligation bonds due in annual installments of \$170,000 to \$955,000 through March 1, 2020; interest at 3.2% to 4.3%

\$ 6,580,000

The annual requirements to amortize all general obligation bonds outstanding at June 30, 2012, including interest payments over the life of the debt are as follows:

Year Ended June 30	Principal	Interest	Total
2013	\$ 715,000	\$ 293,745	\$ 1,008,745
2014	740,000	268,005	1,008,005
2015	765,000	239,885	1,004,885
2016	795,000	209,285	1,004,285
2017	830,000	175,100	1,005,100
2018-2020	2,735,000	281,740	3,016,740
	<u>\$ 6,580,000</u>	<u>\$ 1,467,760</u>	<u>\$ 8,047,760</u>

NOTE 8 - NET ASSETS

Net assets of the government-wide financial statements represent the difference between assets and liabilities. Reported amounts for invested in capital assets and restricted for capital improvements are as follows at June 30, 2012:

Net Assets

Invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation	\$ 30,351,748
Less: General obligation bonds	(6,580,000)
Add: Unspent bond proceeds	<u>2,018,595</u>
	<u>\$ 25,790,343</u>

Restricted for capital improvements:

Capital improvement FY 2010 GO Bonds	\$ 2,228,024
Less: Unspent bond proceeds	<u>(2,018,595)</u>
	<u>\$ 209,429</u>

IV. OTHER INFORMATION

NOTE 9 - RETIREMENT BENEFITS

Substantially all County employees are members of the South Carolina Retirement System (SCRS) and the South Carolina Police Officer's Retirement System (PORS), two of four defined benefit retirement systems maintained by the Retirement Division of the State Budget and Control Board. Each system publishes its own component unit financial statement report. The System provides retirement, death and disability benefits to State employees, public school employees, and employees of counties, municipalities, and certain other State political subdivisions. The System issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System. That report may be obtained by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Title 9 of the South Carolina Code of Laws of 1976 (as amended) prescribes requirements relating to membership, benefits, and employee/employer contributions for each system. The following summarizes the requirements for SCRS and PORS.

SCRS is a cost-sharing multiple-employer pension system that benefits employees of public schools, the State and its political subdivisions. Membership is required as a condition of employment. Both employers and employees must contribute. Employees contribute at 6.5% for the years ended June 30, 2012, 2011 and 2010 and employers at 9.385% for the year ended June 30, 2012 (9.24% for the years ended June 30, 2011 and 2010). In addition to the above rates, participating employers of SCRS contribute .15% of payroll to provide group life insurance benefit for their participants. Benefits vest after five years of service. Vested members who retire at age sixty-five or with twenty-eight years of service at any age receive an annual benefit, payable for life. The benefit is based on length of service and on average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. The annual benefit amount is 1.82% of average final compensation times years of credited service. Reduced benefits are payable as early as age sixty.

PORS is a cost-sharing multiple-employer pension system that benefits all full-time County employees whose principal duties are the preservation of public order, protection, or prevention and control of property destruction by fire. Membership is required as a condition of employment. Both employers and employees must contribute. Employees contribute at 6.5% for the years ended June 30, 2012, 2011 and 2010 and employers at 11.363% for the year ended June 30, 2012 (11.13% and 10.65% for the years ended June 30, 2011 and 2010, respectively). In addition to the above rates, participating employers of PORS contribute .20% of payroll to provide a group life insurance benefit and another .20% to provide accidental death coverage for their participants. Employees who retire at 55 or with 25 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2.14% of average final compensation multiplied by the number of years of credited service. Benefits fully vest on reaching 5 years of service.

The SCRS and PORS do not separately measure assets and pension benefit obligations for individuals' employers. Under Title 9 of the South Carolina Code of Laws, the County's liability under the plan is limited to amounts contributed. Accordingly, the County recognizes no contingent liability for unfunded costs associated with participation in the plan.

The State's consulting actuary determines employer contributions for all four systems. The systems use the projected benefit method with entry age normal cost and benefits and allocate pension cost to each year as a level percentage of salary. In determining funding requirements, the actuary uses the same actuarial assumptions as those used to calculate the pension benefit obligation, with the following assumptions: (1) post-retirement benefit increases were projected for retired members and members eligible to retire; and (2) net assets attributable to group life insurance were excluded.

IV. OTHER INFORMATION - (Continued)

NOTE 9 - RETIREMENT BENEFITS - (Continued)

The following provides a summary of the County's retirement plan contributions at June 30, 2012 (including group life insurance for both plans and accidental death insurance for the Police Plan).

<u>Year Ended June 30,</u>	<u>Plan</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Contributions</u>	<u>Covered Payroll</u>
2012	Regular	\$ 504,478	\$ 740,031	\$ 1,244,509	\$ 7,761,200
	Police	191,519	346,590	538,109	2,946,440
2011	Regular	\$ 471,826	\$ 681,692	\$ 1,153,518	\$ 7,259,169
	Police	179,767	329,768	509,535	2,765,645
2010	Regular	\$ 473,272	\$ 689,306	\$ 1,162,578	\$ 7,339,348
	Police	173,578	298,285	471,863	2,717,960

Employees eligible for service retirement may participate in the Teacher and Retiree Incentive Program (TERI). TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2006, TERI participants who entered the program before July 1, 2005 do not have to contribute to SCRS as long as they are covered under the TERI program.

NOTE 10 - DEFERRED COMPENSATION/SALARY DEFERRAL PLAN

Several optional deferred compensation plans are available to County employees. Certain employees of the County have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k) and 403(b) are accounted for as agency funds of the State and included in the Comprehensive Annual Financial Report of the State of South Carolina. 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) and 403(b) plans are 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 11 - 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. Effective July 1, 2011, County Council elected to change the benefits offered to retirees as follows: 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 \$100 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 and no longer the County.

IV. OTHER INFORMATION - (Continued)

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - (Continued)

Funding Policy - The contribution requirements of plan members and the County are established and may be amended by the County. The required contribution is currently based on pay-as-you-go financing requirements. For the year ended June 30, 2012, the County recognized approximately \$168,100 in expenditures for current healthcare premiums.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Codification Sec. P50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB:

Normal cost for current year	\$ 147,086
Amortization of unamortized accrued liability	<u>124,796</u>
Annual Required Contribution (ARC)	271,882
Interest on net OPEB obligation	49,200
Adjustment to ARC	<u>(51,200)</u>
Annual OPEB cost	269,882
Contributions made	<u>(168,100)</u>
Increase in net OPEB obligation	101,782
Net obligation, beginning of year	<u>1,229,627</u>
Net obligation, end of year	<u><u>\$ 1,331,409</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2012, 2011 and 2010 fiscal years were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$ 269,882	62.29%	\$ 1,331,409
2011	269,915	90.25%	1,229,627
2010	843,496	28.29%	1,203,312

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,997,394, resulting in an unfunded actuarial accrued liability (UAAL) of the same amount. The covered payroll (annual payroll of active employees covered by the plan) for the 2012 fiscal year was \$8,875,961, and the ratio of the UAAL to the covered payroll was 34%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

IV. OTHER INFORMATION - (Continued)

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - (Continued)

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.

In the July 1, 2012 actuarial valuation, the projected unit credit method was used and the study was based on a closed group. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is the blended rate of the expected long-term investment returns on plan assets on the County's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% in 2012 decreasing to the ultimate rate of 5.0% in 2017. Also, the actuarial assumptions included a 2.5% payroll growth rate. The UAAL is being amortized via the level percentage method which amortizes the UAAL as a constant percent of payroll over a 30 year period. The remaining amortization period at June 30, 2012 was 26 years.

NOTE 12 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and job related illnesses and accidents. The County pays premiums to a public entity risk pool for workman's compensation insurance and 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.

NOTE 13 - 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, 2012, the County incurred costs totaling \$590,755 (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, 2012, the total cost included in the financial statements of Fairfield County was approximately \$335,874.

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, 2012, the County has outstanding construction contracts of \$54,607.

IV. OTHER INFORMATION - (Continued)

NOTE 14 - 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 total tax revenues of \$18,994,043 recorded in the general fund for the year ended June 30, 2012, \$7,834,449 was generated from SCANA Corporation due to its operation of the VC Summer Nuclear Plant. This represents 41% of total tax revenues collected for the general fund. Consequently, the funding of County operations is heavily dependent on property tax revenues collected from SCANA Corporation.

NOTE 15 - FUND BALANCES

As prescribed by GASB Statement No. 54, 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, 2012, fund balances for government funds are made up of the following:

- 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.

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.

Fairfield County Council is the County's highest level of decision making. 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 Fairfield 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, 2012, Fairfield County Council had not established an unassigned fund balance target.

FAIRFIELD COUNTY
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GENERAL FUND
For the fiscal year ended June 30, 2012

Schedule 1

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 19,474,275	\$ 19,474,225	\$ 18,994,043	\$ (480,182)
Sales tax	864,000	864,000	2,289,393	1,425,393
Intergovernmental	736,000	736,000	1,438,249	702,249
Licenses, permits, fines and fees	579,100	579,100	837,439	258,339
Charges for services	198,150	198,150	415,312	217,162
Investment income	43,000	43,000	7,916	(35,084)
Miscellaneous	56,625	56,625	37,652	(18,973)
Total revenues	21,951,150	21,951,100	24,020,004	2,068,904
EXPENDITURES				
General government				
County Council	261,542	261,542	247,888	13,654
County Attorney	305,098	305,098	228,153	76,945
County Administrator	250,306	250,306	245,756	4,550
Finance	552,246	552,246	531,183	21,063
Human resources	382,980	417,146	413,864	3,282
Purchasing	146,336	146,336	128,653	17,683
Data processing	436,312	449,373	382,578	66,795
General operating	3,195,775	2,439,580	2,147,539	292,041
Tax assessor	331,744	331,744	316,131	15,613
Tax collector	244,540	244,540	172,106	72,434
Building maintenance	569,185	670,603	668,990	1,613
Planning and building	354,241	354,241	330,277	23,964
Transit	150,212	150,212	133,203	17,009
Economic development	145,632	145,632	111,896	33,736
Auditor	111,539	111,539	105,380	6,159
Treasurer	150,297	150,297	145,995	4,302
Voter registration / Election Commission	184,355	199,225	196,860	2,365
Veterans Affairs	83,927	97,130	97,006	124
Delegation	2,579	2,773	2,773	-
Airport Commission	56,900	56,900	52,352	4,548
Quickjobs	156,000	156,000	61,482	94,518
Summer youth program	16,148	45,742	45,740	2
Soil and water conservation	37,734	37,734	35,655	2,079
Allocations to local organizations	322,863	372,863	372,863	-
Total general government	8,448,491	7,948,802	7,174,323	774,479
Public safety				
Sheriff	2,803,825	3,068,498	2,983,376	85,122
Detention center	1,633,116	1,633,116	1,564,963	68,153
Animal control	231,131	281,131	268,365	12,766
Coroner	85,732	85,732	79,859	5,873
Allocations to local organizations	29,300	31,324	30,822	502
Total public safety	4,783,104	5,099,801	4,927,385	172,416
Public works and utilities				
Road maintenance division	1,357,448	1,436,078	1,435,732	346
Total public works and utilities	1,357,448	1,436,078	1,435,732	346
Health and welfare				
Fairfield County Department of Social Services	63,600	75,238	75,139	99
Emergency medical management	649,096	642,648	640,900	1,748
Solid waste	2,051,035	2,001,035	1,930,959	70,076
Allocations to local organizations	1,382,804	1,490,095	3,026,169	(1,536,074)
Total health and welfare	4,146,535	4,209,016	5,673,167	(1,464,151)

FAIRFIELD COUNTY
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GENERAL FUND
For the fiscal year ended June 30, 2012

Schedule 1

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES, Continued				
Judicial				
Probate Judge	148,008	148,008	139,844	8,164
Clerk of Court	285,641	285,641	256,581	29,060
Family court	125,253	126,719	126,613	106
Magistrates	439,642	439,642	406,151	33,491
Total judicial	998,544	1,000,010	929,189	70,821
Cultural and recreation				
Recreation	703,955	744,320	735,712	8,608
Museum	72,581	72,581	62,463	10,118
Allocations to local organizations	463,834	463,834	463,834	-
Total cultural and recreation	1,240,370	1,280,735	1,262,009	18,726
Capital outlay	-	-	406,681	(406,681)
Debt service				
Principal retirement	51,029	51,029	51,029	-
Interest and fiscal charges	2,292	2,292	2,291	1
Total debt service	53,321	53,321	53,320	1
Total expenditures	21,027,813	21,027,763	21,861,806	(834,043)
Excess of revenues over expenditures	923,337	923,337	2,158,198	1,234,861
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,000	5,000	3,509	(1,491)
Transfers in	-	-	21,944	21,944
Transfers out	(4,409,741)	(4,409,741)	(6,034,236)	(1,624,495)
Total other financing sources (uses)	(4,404,741)	(4,404,741)	(6,008,783)	(1,604,042)
Net change in fund balance	<u>\$ (3,481,404)</u>	<u>\$ (3,481,404)</u>	(3,850,585)	<u>\$ (369,181)</u>
FUND BALANCE, BEGINNING OF YEAR			11,739,724	
FUND BALANCE, END OF YEAR			<u>\$ 7,889,139</u>	

FAIRFIELD COUNTY
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
EMS
For the fiscal year ended June 30, 2012

Schedule 2

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 2,378,953	\$ 2,378,953	\$ 2,535,093	\$ 156,140
Charges for services	828,608	828,608	1,010,577	181,969
Miscellaneous	-	-	7,694	7,694
Total revenues	<u>3,207,561</u>	<u>3,207,561</u>	<u>3,553,364</u>	<u>345,803</u>
EXPENDITURES				
Health and welfare				
Compensation and benefits	2,148,854	2,148,854	2,561,514	(412,660)
Operating expenditures	699,945	699,945	676,371	23,574
Capital outlay	510,904	510,904	808,862	(297,958)
Debt service				
Principal retirement	39,400	39,400	42,972	(3,572)
Interest and fiscal charges	<u>5,600</u>	<u>5,600</u>	<u>1,929</u>	<u>3,671</u>
Total health and expenditures	<u>3,404,703</u>	<u>3,404,703</u>	<u>4,091,648</u>	<u>(686,945)</u>
Excess of expenditures over revenues	<u>(197,142)</u>	<u>(197,142)</u>	<u>(538,284)</u>	<u>(341,142)</u>
Net change in fund balance	<u>\$ (197,142)</u>	<u>\$ (197,142)</u>	<u>(538,284)</u>	<u>\$ (341,142)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,236,657</u>	
FUND BALANCE, END OF YEAR			<u>\$ 698,373</u>	

FAIRFIELD COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE OTHER
POST EMPLOYMENT BENEFIT PLAN
JUNE 30, 2012

Schedule 3

Fiscal Year	Actuarial Valuation Date	Employer Contributions to the Retiree Health Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2009	7/1/2008	\$ -	\$ -	\$ 9,887,275	\$ 9,887,275	0%	\$ 8,390,193	118%
2010	7/1/2008	-	-	9,887,275	9,887,275	0%	8,564,924	115%
2011	7/1/2010	-	-	2,997,394	2,997,394	0%	8,562,760	35%
2012	7/1/2012	-	-	2,997,394	2,997,394	0%	8,875,961	34%

*Includes payroll expense for all employees who are eligible for medical insurance coverage.

FAIRFIELD COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

Schedule 4

	Nonmajor Debt Service	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 566,045	\$ 2,034,026	\$ 4,446,216	\$ 7,046,287
Taxes receivable, net	37,088	29,207	-	66,295
Accounts receivable, net	-	5,200	-	5,200
Due from other governmental units	1,517	796,690	274,788	1,072,995
Prepaid items	-	15,111	15,335	30,446
Note receivable	-	-	393,780	393,780
Investment - land and building	-	-	759,690	759,690
Total assets	<u>\$ 604,650</u>	<u>\$ 2,880,234</u>	<u>\$ 5,889,809</u>	<u>\$ 9,374,693</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 64,574	\$ 729,475	\$ 794,049
Retainage payable	-	-	15,887	15,887
Accrued expenses	-	16,700	-	16,700
Deferred revenue	18,366	14,464	-	32,830
Due to general fund	-	627,091	-	627,091
Total liabilities	<u>18,366</u>	<u>722,829</u>	<u>745,362</u>	<u>1,486,557</u>
Fund balances:				
Nonspendable				
Prepaid items	-	15,111	15,335	30,446
Note receivable	-	-	393,780	393,780
Investment - land and building	-	-	759,690	759,690
Restricted				
General government	-	24,916	-	24,916
Public safety	-	1,401,431	-	1,401,431
Health and welfare	-	506,803	-	506,803
Judicial	-	80,223	-	80,223
Cultural and recreation	-	66,121	-	66,121
Debt service	586,284	-	-	586,284
Committed				
Public works and utilities	-	-	1,928,184	1,928,184
Cultural and recreation	-	57,476	-	57,476
Capital outlay	-	6,581	2,310,665	2,317,246
Unassigned	-	(1,257)	(263,207)	(264,464)
Total fund balances	<u>586,284</u>	<u>2,157,405</u>	<u>5,144,447</u>	<u>7,888,136</u>
Total liabilities and fund balances	<u>\$ 604,650</u>	<u>\$ 2,880,234</u>	<u>\$ 5,889,809</u>	<u>\$ 9,374,693</u>

FAIRFIELD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2012

Schedule 5

	Nonmajor Debt Service	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 1,304,038	\$ 1,235,835	\$ -	\$ 2,539,873
Intergovernmental	-	2,656,575	1,053,751	3,710,326
Licenses, permits, fines and fees	-	188,229	-	188,229
Charges for services	-	354,098	-	354,098
Investment income	-	13	-	13
Miscellaneous	-	67,076	11,399	78,475
Total revenues	<u>1,304,038</u>	<u>4,501,826</u>	<u>1,065,150</u>	<u>6,871,014</u>
EXPENDITURES				
General government	-	2,527,476	1,678,044	4,205,520
Public safety	-	613,558	-	613,558
Public works and utilities	-	9,895	1,260,541	1,270,436
Health and welfare	-	840,769	-	840,769
Judicial	-	97,527	-	97,527
Cultural and recreation	-	102,978	-	102,978
Capital outlay	-	456,190	3,459,016	3,915,206
Debt service				
Principal retirement	690,000	40,286	-	730,286
Interest and fiscal charges	<u>319,667</u>	<u>1,809</u>	<u>-</u>	<u>321,476</u>
Total expenditures	<u>1,009,667</u>	<u>4,690,488</u>	<u>6,397,601</u>	<u>12,097,756</u>
Excess (deficiency) of revenues over (under) expenditures	<u>294,371</u>	<u>(188,662)</u>	<u>(5,332,451)</u>	<u>(5,226,742)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	5,932	88,505	94,437
Transfers in	-	541,414	5,492,822	6,034,236
Transfers out	<u>-</u>	<u>(21,944)</u>	<u>-</u>	<u>(21,944)</u>
Total other financing sources	<u>-</u>	<u>525,402</u>	<u>5,581,327</u>	<u>6,106,729</u>
Net change in fund balances	294,371	336,740	248,876	879,987
FUND BALANCES, BEGINNING OF YEAR	<u>291,913</u>	<u>1,820,665</u>	<u>4,895,571</u>	<u>7,008,149</u>
FUND BALANCES, END OF YEAR	<u>\$ 586,284</u>	<u>\$ 2,157,405</u>	<u>\$ 5,144,447</u>	<u>\$ 7,888,136</u>

FAIRFIELD COUNTY
COMPARATIVE BALANCE SHEETS
GENERAL FUND

Schedule 6

	JUNE 30,	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 6,260,055	\$ 10,599,780
Taxes receivable, net	495,458	490,300
Accounts receivable, net	26,087	39,914
Due from other funds	648,904	590,315
Due from other governmental units	1,179,397	1,158,507
Prepaid items	29,422	24,160
Notes receivable, net	500,000	360,000
Total assets	<u>\$ 9,139,323</u>	<u>\$ 13,262,976</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 514,917	\$ 377,016
Accrued expenses	264,633	702,655
Deferred revenue	224,893	264,288
Due to taxpayers	3,559	4,607
Due to other agencies	219,457	151,850
Due to component units	13,184	12,559
Due to other governmental units	9,541	10,277
Total liabilities	<u>1,250,184</u>	<u>1,523,252</u>
Fund balances:		
Nonspendable		
Prepaid items	29,422	24,160
Notes receivable	500,000	360,000
Committed		
General government	3,480,000	3,480,000
Health and welfare	760,000	760,000
Unassigned	<u>3,119,717</u>	<u>7,115,564</u>
Total fund balances	<u>7,889,139</u>	<u>11,739,724</u>
Total liabilities and fund balances	<u>\$ 9,139,323</u>	<u>\$ 13,262,976</u>

FAIRFIELD COUNTY
COMPARATIVE STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND

Schedule 7

	For the years ended June 30,	
	2012	2011
REVENUES		
Taxes	\$ 18,994,043	\$ 18,939,409
Sales tax	2,289,393	1,999,954
Intergovernmental	1,438,249	990,561
Licenses, permits, fines and fees	837,439	749,414
Charges for services	415,312	345,058
Investment income	7,916	49,527
Miscellaneous	37,652	87,251
Total revenues	<u>24,020,004</u>	<u>23,161,174</u>
EXPENDITURES		
General government	7,174,323	6,295,099
Public safety	4,927,385	4,730,936
Public works and utilities	1,435,732	1,229,513
Health and welfare	5,673,167	3,886,455
Judicial	929,189	972,011
Cultural and recreation	1,262,009	1,245,504
Capital outlay	406,681	187,412
Debt service		
Principal retirement	51,029	48,836
Interest and fiscal charges	2,291	4,484
Total expenditures	<u>21,861,806</u>	<u>18,600,250</u>
Excess revenues over expenditures	<u>2,158,198</u>	<u>4,560,924</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of capital assets	3,509	1,731
Transfers in	21,944	59,959
Transfers out	(6,034,236)	(3,777,148)
Total other financing uses	<u>(6,008,783)</u>	<u>(3,715,458)</u>
Net change in fund balances	(3,850,585)	845,466
FUND BALANCE, BEGINNING OF YEAR	<u>11,739,724</u>	<u>10,894,258</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 7,889,139</u></u>	<u><u>\$ 11,739,724</u></u>

FAIRFIELD COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

Schedule 8

	Tourism Promotion	Tourism Related	Airport	Transit System	Sheriff Seizure	Railroad Track Maintenance
ASSETS						
Cash and cash equivalents	\$ 39,428	\$ 26,693	\$ -	\$ -	\$ 7,175	\$ 57,476
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	-	-	-	625	-	-
Due from other governmental units	-	-	541,614	180,168	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 39,428</u>	<u>\$ 26,693</u>	<u>\$ 541,614</u>	<u>\$ 180,793</u>	<u>\$ 7,175</u>	<u>\$ 57,476</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 26,853	\$ 20,810	\$ -	\$ -
Accrued expenses	-	-	-	10,715	-	-
Deferred revenue	-	-	-	-	-	-
Due to general fund	-	-	495,715	94,825	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>522,568</u>	<u>126,350</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Nonspendable - prepaid items	-	-	-	-	-	-
Restricted						
General government	-	-	19,046	-	-	-
Public safety	-	-	-	-	7,175	-
Health and welfare	-	-	-	54,443	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	39,428	26,693	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	-	57,476
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>39,428</u>	<u>26,693</u>	<u>19,046</u>	<u>54,443</u>	<u>7,175</u>	<u>57,476</u>
Total liabilities and fund balance	<u>\$ 39,428</u>	<u>\$ 26,693</u>	<u>\$ 541,614</u>	<u>\$ 180,793</u>	<u>\$ 7,175</u>	<u>\$ 57,476</u>

FAIRFIELD COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

Schedule 8

	Clerk of Court Incentive	Clerk of Court IV-D	Victim Assistance	Fish Hook Housing	911 Tariff	County Donations
ASSETS						
Cash and cash equivalents	\$ 79,489	\$ -	\$ 169,634	\$ 5,870	\$ 422,801	\$ 6,759
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	4,575	-
Due from other governmental units	734	8,900	-	-	26,315	-
Prepaid items	-	1,257	-	-	9,801	-
Total assets	<u>\$ 80,223</u>	<u>\$ 10,157</u>	<u>\$ 169,634</u>	<u>\$ 5,870</u>	<u>\$ 463,492</u>	<u>\$ 6,759</u>
LIABILITIES						
Accounts payable	\$ -	\$ 1,248	\$ 938	\$ -	\$ 1,331	\$ 178
Accrued expenses	-	472	795	-	-	-
Deferred revenue	-	-	-	-	-	-
Due to general fund	-	8,437	-	-	-	-
Total liabilities	<u>-</u>	<u>10,157</u>	<u>1,733</u>	<u>-</u>	<u>1,331</u>	<u>178</u>
FUND BALANCE						
Nonspendable - prepaid items	-	1,257	-	-	9,801	-
Restricted						
General government	-	-	-	5,870	-	-
Public safety	-	-	167,901	-	-	-
Health and welfare	-	-	-	-	452,360	-
Judicial	80,223	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	6,581
Unassigned	-	(1,257)	-	-	-	-
Total fund balance	<u>80,223</u>	<u>-</u>	<u>167,901</u>	<u>5,870</u>	<u>462,161</u>	<u>6,581</u>
Total liabilities and fund balance	<u>\$ 80,223</u>	<u>\$ 10,157</u>	<u>\$ 169,634</u>	<u>\$ 5,870</u>	<u>\$ 463,492</u>	<u>\$ 6,759</u>

FAIRFIELD COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

Schedule 8

	Workforce Investment Act	Justice Assistance Grant	Sheriff Drug Fund	Sheriff Child Support	Sheriff Judgments/ Executions	Sheriff Law Enforcement
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 12,193	\$ 761	\$ 6,480	\$ 14,531
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-
Due from other governmental units	29,608	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 29,608</u>	<u>\$ -</u>	<u>\$ 12,193</u>	<u>\$ 761</u>	<u>\$ 6,480</u>	<u>\$ 14,531</u>
LIABILITIES						
Accounts payable	\$ 1,852	\$ -	\$ -	\$ 371	\$ -	\$ -
Accrued expenses	1,751	-	-	390	-	-
Deferred revenue	-	-	-	-	-	-
Due to general fund	26,005	-	-	-	-	-
Total liabilities	<u>29,608</u>	<u>-</u>	<u>-</u>	<u>761</u>	<u>-</u>	<u>-</u>
FUND BALANCE						
Nonspendable - prepaid items	-	-	-	-	-	-
Restricted						
General government	-	-	-	-	-	-
Public safety	-	-	12,193	-	6,480	14,531
Health and welfare	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>12,193</u>	<u>-</u>	<u>6,480</u>	<u>14,531</u>
Total liabilities and fund balance	<u>\$ 29,608</u>	<u>\$ -</u>	<u>\$ 12,193</u>	<u>\$ 761</u>	<u>\$ 6,480</u>	<u>\$ 14,531</u>

FAIRFIELD COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

Schedule 8

	Sex Offender	Fire Protection Tax District	Grant Subfunds	Totals
ASSETS				
Cash and cash equivalents	\$ 1,300	\$ 1,173,311	\$ 10,125	\$ 2,034,026
Taxes receivable, net	-	29,207	-	29,207
Accounts receivable, net	-	-	-	5,200
Due from other governmental units	-	1,208	8,143	796,690
Prepaid items	-	4,053	-	15,111
Total assets	<u>\$ 1,300</u>	<u>\$ 1,207,779</u>	<u>\$ 18,268</u>	<u>\$ 2,880,234</u>
LIABILITIES				
Accounts payable	\$ -	\$ 9,913	\$ 1,080	\$ 64,574
Accrued expenses	-	2,577	-	16,700
Deferred revenue	-	14,464	-	14,464
Due to general fund	-	-	2,109	627,091
Total liabilities	<u>-</u>	<u>26,954</u>	<u>3,189</u>	<u>722,829</u>
FUND BALANCE				
Nonspendable - prepaid items	-	4,053	-	15,111
Restricted				
General government	-	-	-	24,916
Public safety	1,300	1,176,772	15,079	1,401,431
Health and welfare	-	-	-	506,803
Judicial	-	-	-	80,223
Cultural and recreation	-	-	-	66,121
Committed				
Cultural and recreation	-	-	-	57,476
Capital outlay	-	-	-	6,581
Unassigned	-	-	-	(1,257)
Total fund balance	<u>1,300</u>	<u>1,180,825</u>	<u>15,079</u>	<u>2,157,405</u>
Total liabilities and fund balance	<u>\$ 1,300</u>	<u>\$ 1,207,779</u>	<u>\$ 18,268</u>	<u>\$ 2,880,234</u>

FAIRFIELD COUNTY
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the fiscal year ended June 30, 2012

Schedule 9

	Tourism Promotion	Tourism Related	Airport	Transit System	Sheriff Seizure	Railroad Track Maintenance
REVENUES						
Taxes	\$ 35,051	\$ 75,943	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	2,042,005	140,776	6,075	-
Licenses, permits, fines and fees	-	-	-	-	-	-
Charges for services	-	-	-	354,098	-	-
Investment income	-	-	-	-	13	-
Miscellaneous	-	-	-	584	-	-
Total revenues	<u>35,051</u>	<u>75,943</u>	<u>2,042,005</u>	<u>495,458</u>	<u>6,088</u>	<u>-</u>
EXPENDITURES						
General government	-	-	2,323,914	-	-	-
Public safety	-	-	-	-	12,859	-
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	674,043	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	27,454	61,600	-	-	-	6,341
Capital outlay	-	-	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>27,454</u>	<u>61,600</u>	<u>2,323,914</u>	<u>674,043</u>	<u>12,859</u>	<u>6,341</u>
Excess (deficiency) of revenues over (under) expenditures	7,597	14,343	(281,909)	(178,585)	(6,771)	(6,341)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	281,910	190,737	-	15,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>281,910</u>	<u>190,737</u>	<u>-</u>	<u>15,000</u>
Net change in fund balance	7,597	14,343	1	12,152	(6,771)	8,659
FUND BALANCES, BEGINNING OF YEAR	<u>31,831</u>	<u>12,350</u>	<u>19,045</u>	<u>42,291</u>	<u>13,946</u>	<u>48,817</u>
FUND BALANCES, END OF YEAR	<u>\$ 39,428</u>	<u>\$ 26,693</u>	<u>\$ 19,046</u>	<u>\$ 54,443</u>	<u>\$ 7,175</u>	<u>\$ 57,476</u>

FAIRFIELD COUNTY
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the fiscal year ended June 30, 2012

Schedule 9

	Clerk of Court Incentive	Clerk of Court IV-D	Victim Assistance	Fish Hook Housing	911 Tariff	County Donations
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	7,342	119,471	-	-	44,274	-
Licenses, permits, fines and fees	-	-	46,155	-	142,074	-
Charges for services	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Miscellaneous	-	-	-	-	8	1,065
Total revenues	<u>7,342</u>	<u>119,471</u>	<u>46,155</u>	<u>-</u>	<u>186,356</u>	<u>1,065</u>
EXPENDITURES						
General government	-	-	-	-	-	110
Public safety	-	-	60,117	-	-	636
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	-	101,885	-
Judicial	-	97,527	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	8,136	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>97,527</u>	<u>60,117</u>	<u>-</u>	<u>110,021</u>	<u>746</u>
Excess (deficiency) of revenues over (under) expenditures	7,342	21,944	(13,962)	-	76,335	319
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(21,944)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(21,944)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	7,342	-	(13,962)	-	76,335	319
FUND BALANCES, BEGINNING OF YEAR	<u>72,881</u>	<u>-</u>	<u>181,863</u>	<u>5,870</u>	<u>385,826</u>	<u>6,262</u>
FUND BALANCES, END OF YEAR	<u>\$ 80,223</u>	<u>\$ -</u>	<u>\$ 167,901</u>	<u>\$ 5,870</u>	<u>\$ 462,161</u>	<u>\$ 6,581</u>

FAIRFIELD COUNTY
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the fiscal year ended June 30, 2012

Schedule 9

	Workforce Investment Act	Justice Assistance Grant	Sheriff Drug Fund	Sheriff Child Support	Sheriff Judgments/ Executions	Sheriff Law Enforcement
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	150,389	17,424	-	-	-	-
Licenses, permits, fines and fees	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Miscellaneous	-	-	1,172	-	-	11,061
Total revenues	<u>150,389</u>	<u>17,424</u>	<u>1,172</u>	<u>-</u>	<u>-</u>	<u>11,061</u>
EXPENDITURES						
General government	174,072	-	-	-	-	-
Public safety	-	5,840	2,566	24,837	-	13,349
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	11,584	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>174,072</u>	<u>17,424</u>	<u>2,566</u>	<u>24,837</u>	<u>-</u>	<u>13,349</u>
Excess (deficiency) of revenues over (under) expenditures	(23,683)	-	(1,394)	(24,837)	-	(2,288)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	23,683	-	-	24,837	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>23,683</u>	<u>-</u>	<u>-</u>	<u>24,837</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(1,394)	-	-	(2,288)
FUND BALANCES, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>13,587</u>	<u>-</u>	<u>6,480</u>	<u>16,819</u>
FUND BALANCES, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,193</u>	<u>\$ -</u>	<u>\$ 6,480</u>	<u>\$ 14,531</u>

FAIRFIELD COUNTY
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the fiscal year ended June 30, 2012

Schedule 9

	Sex Offender	Fire Protection Tax District	Grant Subfunds	Totals
REVENUES				
Taxes	\$ -	\$ 1,124,841	\$ -	\$ 1,235,835
Intergovernmental	-	6,861	121,958	2,656,575
Licenses, permits, fines and fees	-	-	-	188,229
Charges for services	-	-	-	354,098
Investment income	-	-	-	13
Miscellaneous	-	51,552	1,634	67,076
Total revenues	-	1,183,254	123,592	4,501,826
EXPENDITURES				
General government	-	-	29,380	2,527,476
Public safety	-	492,209	1,145	613,558
Public works and utilities	-	-	9,895	9,895
Health and welfare	-	-	64,841	840,769
Judicial	-	-	-	97,527
Cultural and recreation	-	-	7,583	102,978
Capital outlay	-	425,965	10,505	456,190
Debt service				
Principal retirement	-	40,286	-	40,286
Interest and fiscal charges	-	1,809	-	1,809
Total expenditures	-	960,269	123,349	4,690,488
Excess (deficiency) of revenues over (under) expenditures	-	222,985	243	(188,662)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	5,932	-	5,932
Transfers in	-	-	5,247	541,414
Transfers out	-	-	-	(21,944)
Total other financing sources (uses)	-	5,932	5,247	525,402
Net change in fund balance	-	228,917	5,490	336,740
FUND BALANCES, BEGINNING OF YEAR	1,300	951,908	9,589	1,820,665
FUND BALANCES, END OF YEAR	<u>\$ 1,300</u>	<u>\$ 1,180,825</u>	<u>\$ 15,079</u>	<u>\$ 2,157,405</u>

FAIRFIELD COUNTY
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
JUNE 30, 2012

Schedule 10

	Capital Improvement Projects	Road Improvement Program	W.B. Brown Industrial Park	Water and Sewer Program	Vehicle Replacement Program	Recreation Capital Fund	Total Nonmajor Capital Project Funds
ASSETS							
Cash and cash equivalents	\$ 1,880,891	\$ 297,374	\$ 12,570	\$ 1,581,724	\$ 149,967	\$ 523,690	\$ 4,446,216
Due from other governmental units	-	274,788	-	-	-	-	274,788
Prepaid items	15,335	-	-	-	-	-	15,335
Note receivable	-	-	393,780	-	-	-	393,780
Investment - land and building	-	-	759,690	-	-	-	759,690
Total assets	<u>\$ 1,896,226</u>	<u>\$ 572,162</u>	<u>\$ 1,166,040</u>	<u>\$ 1,581,724</u>	<u>\$ 149,967</u>	<u>\$ 523,690</u>	<u>\$ 5,889,809</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 227,996	\$ 225,702	\$ 275,777	\$ -	\$ -	\$ -	\$ 729,475
Retainage payable	15,887	-	-	-	-	-	15,887
Total liabilities	<u>243,883</u>	<u>225,702</u>	<u>275,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>745,362</u>
Fund balances:							
Nonspendable							
Preaid items	15,335	-	-	-	-	-	15,335
Note receivable	-	-	393,780	-	-	-	393,780
Investment - land and building	-	-	759,690	-	-	-	759,690
Committed							
Public works and utilities	-	346,460	-	1,581,724	-	-	1,928,184
Capital outlay	1,637,008	-	-	-	149,967	523,690	2,310,665
Unassigned	-	-	(263,207)	-	-	-	(263,207)
Total fund balances	<u>1,652,343</u>	<u>346,460</u>	<u>890,263</u>	<u>1,581,724</u>	<u>149,967</u>	<u>523,690</u>	<u>5,144,447</u>
Total liabilities and fund balances	<u>\$ 1,896,226</u>	<u>\$ 572,162</u>	<u>\$ 1,166,040</u>	<u>\$ 1,581,724</u>	<u>\$ 149,967</u>	<u>\$ 523,690</u>	<u>\$ 5,889,809</u>

FAIRFIELD COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECT FUNDS
 For the year ended June 30, 2012

Schedule 11

	Capital Improvement Projects	Road Improvement Program	W.B. Brown Industrial Park	Water and Sewer Program	Vehicle Replacement Program	Recreation Capital Fund	Total Nonmajor Capital Project Funds
REVENUES							
Intergovernmental	\$ -	\$ 828,751	\$ 225,000	\$ -	\$ -	\$ -	\$ 1,053,751
Miscellaneous	-	-	-	-	11,399	-	11,399
Total revenues	-	828,751	225,000	-	11,399	-	1,065,150
EXPENDITURES							
General government	1,247,814	-	416,826	-	13,404	-	1,678,044
Public works and utilities	-	1,257,790	-	2,751	-	-	1,260,541
Capital outlay	2,652,123	-	-	-	802,105	4,788	3,459,016
Total expenditures	3,899,937	1,257,790	416,826	2,751	815,509	4,788	6,397,601
Deficiency of revenues under expenditures	(3,899,937)	(429,039)	(191,826)	(2,751)	(804,110)	(4,788)	(5,332,451)
OTHER FINANCING SOURCES							
Proceeds from sale of capital assets	-	-	52,342	-	36,163	-	88,505
Transfers in	3,934,937	529,937	35,000	225,000	767,948	-	5,492,822
Total other financing sources	3,934,937	529,937	87,342	225,000	804,111	-	5,581,327
Net change in fund balances	35,000	100,898	(104,484)	222,249	1	(4,788)	248,876
FUND BALANCES, BEGINNING OF YEAR	1,617,343	245,562	994,747	1,359,475	149,966	528,478	4,895,571
FUND BALANCES, END OF YEAR	<u>\$ 1,652,343</u>	<u>\$ 346,460</u>	<u>\$ 890,263</u>	<u>\$ 1,581,724</u>	<u>\$ 149,967</u>	<u>\$ 523,690</u>	<u>\$ 5,144,447</u>

FAIRFIELD COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
TRANSIT SYSTEM
For the fiscal year ended June 30, 2012

Schedule 12

REVENUES

Federal	\$ 119,285
State	21,491
Medicaid collections	340,062
Farebox	14,036
Other	<u>584</u>
Total revenues	<u>495,458</u>

EXPENDITURES

Administration	
Salaries and fringe benefits	128,036
Printing and binding	305
Office supplies	562
Other supplies	86
Utilities	6,854
Insurance	6,681
Telephone	3,664
Medical fees	33
Rental	809
Other	<u>3,270</u>
Total administration	<u>150,300</u>
Operations	
Salaries and fringe benefits	90,032
Other supplies	2,180
Medical fees	418
Rental	603
Other	<u>431</u>
Total operations	<u>93,664</u>
Medicaid	
Salaries and fringe benefits	175,023
Other supplies	12,280
Telephone	3,150
Medical fees	836
Rental	14,139
Fuel	110,340
Travel	851
Vehicle services	2,446
Office supplies	1,113
Other	<u>8,317</u>
Total medicaid	<u>328,495</u>

FAIRFIELD COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
TRANSIT SYSTEM
For the fiscal year ended June 30, 2012

Schedule 12

EXPENDITURES, continued

Capital	
Salaries and fringe benefits	96,989
Rental	1,095
Insurance	3,406
Medical fees	<u>94</u>
Total capital	<u>101,584</u>
Total expenditures	<u>674,043</u>
Deficiency of revenues under expenditures	<u>(178,585)</u>

OTHER FINANCING SOURCES

Transfer in	<u>190,737</u>
Total other financing sources	<u>190,737</u>
Net change in fund balance	12,152

FUND BALANCE, BEGINNING OF YEAR	<u>42,291</u>
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FUND BALANCE, END OF YEAR	<u><u>\$ 54,443</u></u>
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FAIRFIELD COUNTY
SCHEDULE OF COURT FINES, SURCHARGES AND ASSESSMENT ACTIVITY
VICTIMS ASSISTANCE
For the fiscal year ended June 30, 2012

Schedule 13

COURT FINES

Collected	\$ 140,062
Retained by County	<u>39,497</u>
	<u>\$ 100,565</u>

COURT ASSESSMENTS

Collected	\$ 16,002
Retained by County	<u>910</u>
	<u>\$ 15,092</u>

COURT SURCHARGES

Collected	\$ 119,561
Retained by County	<u>5,749</u>
	<u>\$ 113,812</u>

VICTIMS ASSISTANCE

Court assessments	\$ 39,497
Court surcharges	<u>6,658</u>
Allocated to Victims Assistance	46,155
Victims Assistance expenditures	<u>60,117</u>
Deficiency of revenues under expenditures	(13,962)

FUND BALANCE, BEGINNING OF YEAR

181,863

FUND BALANCE, END OF YEAR

\$ 167,901

FAIRFIELD COUNTY
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2012

Schedule 14

Assessed value (1)		<u>\$ 127,058,548</u>
Debt limit - 8% of assessed value (2)		\$ 10,164,684
Amount of debt applicable to debt limit (3):		
Total bonded debt	\$ 6,580,000	
Less: Debt service funds available	586,284	
Total debt applicable to debt limit		<u>5,993,716</u>
Legal debt margin		<u>\$ 4,170,968</u>

NOTES:

- (1) The assessed valuation shown is the assessed value at December 31, 2010 used for 2011 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 provided that each county, township, school district, municipal 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
Winnsboro, South Carolina

We have audited the financial statements of the governmental activities, the discretely presented component unit, 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, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 10, 2012. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2012-1, 2012-2, 2012-3, 2012-4 and 2012-5. 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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 the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the County Council, management, federal awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Elliott Davis, LLC

Columbia, South Carolina
December 10, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Fairfield County Council
Fairfield County
Winnsboro, South Carolina

COMPLIANCE

We have audited the compliance of Fairfield County (the County) with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2012.

INTERNAL CONTROL OVER COMPLIANCE

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the County Council, management, federal and state awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Elliott Davis, LLC

Columbia, South Carolina
December 10, 2012

FAIRFIELD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|---|---------------|
| (a.) Type of auditor's report issued: | Unqualified |
| (b.) Internal control over financial reporting: | |
| 1) Material weaknesses identified: | None reported |
| 2) Significant deficiencies identified that are not considered to be material weaknesses: | Five reported |
| (c.) Noncompliance material to financial statements: | None reported |

Federal Awards

- | | |
|---|---------------|
| (a.) Internal control over major programs: | |
| 1) Material weaknesses identified: | None reported |
| 2) Significant deficiencies identified that are not considered to be material weaknesses: | None reported |
| (b.) Type of auditor's report issued on compliance for major programs: | Unqualified |
| (c.) Audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133: | None reported |
| (d.) Identification of major programs: | |

CFDA Numbers

Name of federal program or cluster

20.106

Airport Improvement Program

- | | |
|---|-----------|
| (e.) Dollar threshold used to distinguish between type A and type B Programs: | \$300,000 |
| (f.) Auditee qualified as low risk auditee? | Yes |

FAIRFIELD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2012

**II. FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Item 2012-1: Procurement

Condition: During fiscal year 2012 the County engaged a single contractor to perform approximately \$400,000 in projects on buildings throughout the County. In selecting the contractor, a formal bidding process was not conducted as required by the County's procurement policy.

Criteria: The County's procurement policy requires seeking formal bids from a minimum of three qualified sources for purchases estimated in excess of \$25,000. In the event that a minimum number of qualified sources required cannot be solicited, the County is required to maintain in the solicitation file, a written certification from the Procurement Officer that all known sources were solicited.

Cause: The County was satisfied with the performance and pricing previously provided by the vendor and elected to extend the vendor's services for the additional projects mentioned above.

Effect: By forgoing the bid process there is the risk that a more qualified contractor could have been engaged for a lower price.

Context: For fiscal year 2012, we examined disbursement activity for the County's highest paid vendors to determine that proper documentation was being maintained in accordance with the County's procurement policy. We noted that there was no documentation of a formal bid process in selecting the vendor to perform the maintenance projects mentioned above.

Recommendation: We recommend that the County review each vendor file to ensure that proper documentation is in place to satisfy all requirements of the County's procurement policy, and that a formal bidding process is implemented for all applicable purchases.

Views of Responsible Officials and Planned Corrective Actions: Corrective action has been taken to address this item.

Item 2012-2: Tuition Reimbursement

Condition: The County's Educational Assistance policy makes available to all eligible employees reimbursement of educational expenses that are considered essential to an employee's job requirements. We noted that two employees received reimbursement for educational expenses in excess of the maximum amount allowed by the Internal Revenue Service (IRS) for calendar year 2012.

Criteria: All County reimbursement policies should be written to meet the guidelines established by the IRS. Such policies should describe the dollar limits and the type of educational expense that are allowed for reimbursement under IRS requirements.

Cause: The County's educational reimbursement policy requires greater detail in order to provide a sufficient level of guidance for compliance with IRS requirements.

II. FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS, CONTINUED*

Item 2012-2: Tuition Reimbursement, continued

Effect: Employees may receive a taxable benefit that is not reported to the IRS. If this were to occur, the County would be responsible for both the employee and employer share of any resulting tax liability.

Context: We examined the County's fiscal year 2012 disbursement activity for payments to County employees and inquired about the nature of expenses incurred.

Recommendation: We recommend that the County review its educational reimbursement policy and obtain guidance to ensure that it complies with all IRS requirements .

Views of Responsible Officials and Planned Corrective Actions: Management was unaware there were IRS implications. Corrective action has been taken to address this item.

Item 2012-3: Magistrate Bank Account

Condition: The County's Magistrate office maintains a bank account to deposit court-related fines, fees and bail bonds. As of June 30, 2012, the bank account balance included approximately \$82,000 in deposits that could not be identified as either:

1. Fines and fees revenue to be transferred to the County Treasurer, or
2. Bail bond funds to be repaid to individuals.

Criteria: All funds held in trust should be accounted for on a case by case basis. Any unidentified funds should be immediately investigated and reconciled.

Cause: Over the last 20 years the Magistrate's office has gone through two system conversions. Magistrate personnel stated that the unidentified funds arose during the system conversions. Follow-up efforts to investigate and reconcile unidentified differences have not occurred.

Effect: Potential revenue to the County and/or amounts due to individuals remains unidentified and is not correctly recorded.

Context: We noted the \$82,000 unidentified amount after examining the County's June 30, 2012 reconciliation of the bank account mentioned above. We then inquired of Magistrate's office and obtained the above explanation.

Recommendation: We recommend that the Magistrate develop internal controls to ensure that the entire account balance can be identified on a case by case basis and can be properly reconciled monthly.

Views of Responsible Officials and Planned Corrective Actions: The Magistrate's office will work diligently to investigate these funds and determine if they are to be remitted to the County or due to individuals.

II. FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS, CONTINUED*

Item 2012-4: Property tax ledger system

Condition: The County relies substantially on a single third-party vendor for the maintenance and operation of its property tax general ledger system.

Criteria: The County should ensure it has multiple sources of technical support for its software applications and that such support is readily available on a long-term basis.

Cause: The software on which the property-tax ledger system is based was developed by, and is exclusively supported by a single third-party vendor.

Effect: The County is at risk if the vendor leaves, becomes insolvent, or has significant employee turnover. This relationship is important because the software application on which the County's property tax ledger system is based has been developed over an extended time period by the third party vendor. The County, without software application documentation or staff adequately cross-trained to maintain their system applications, could be without a viable alternative for daily support of their property tax ledger system.

Context: We have become aware that several South Carolina counties maintain their property tax ledger system under these same circumstances.

Recommendation: We recommend that the County develop a written plan to provide for the contingency that the third-party vendor is unable to continue to support the current property tax ledger system application. The plan should include identifying alternative software applications that can be supported by more than one vendor.

Views of Responsible Officials and Planned Corrective Actions: The Treasurer accepts the recommendation and will develop a written plan to address the contingency risk related to their property tax general ledger system.

Item 2012-5: Cash Receipts – Planning and Zoning

Condition: The County Planning and Zoning Department does not maintain a receipts journal for transactions paid in cash.

Criteria: A sufficient audit trail should be available to ensure that all cash receipts are deposited at the bank and recorded in the County's general ledger in a timely manner.

Cause: Any given transaction paid in cash cannot be traced to deposit in the bank.

Effect: Without a receipts journal, transactions paid in cash have an increased risk of not being deposited to the bank and/or recorded correctly in the general ledger.

Context: We noted the above condition during our walkthrough of the Department's cash receipt cycle.

Recommendation: We recommend that the County Planning and Zoning Department maintain a receipts journal for all cash transactions and reconcile it to bank deposits.

Views of Responsible Officials and Planned Corrective Actions: The Planning and Zoning Department will work with the Finance Department to implement policies and procedures to ensure that all funds are reconciled and accounted for.

III. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

NONE REPORTED

FAIRFIELD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
Workforce Investment Act - Cluster		
U.S. DEPARTMENT OF LABOR		
Passed through South Carolina Employment Security Commission		
Workforce Investment Act - Adult Program	17.258	118,770
Workforce Investment Act - Dislocated Workers	17.260	<u>31,619</u>
Total Workforce Investment Act - Cluster		<u>150,389</u>
Other Programs		
U.S. DEPARTMENT OF JUSTICE		
Passed through South Carolina Law Enforcement Division		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>17,424</u>
Total U.S. Department of Justice		<u>17,424</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through the South Carolina Department of		
Highways & Public Transportation		
Federal Transit Formula Grants	20.507	119,285
Passed through the South Carolina Department of		
Commerce/Division of Aeronautics		
Airport Improvement Program	20.106	<u>2,029,788</u>
Total U.S. Department of Transportation		<u>2,149,073</u>
U.S. DEPARTMENT OF AGRICULTURE		
National Forest Funds	10.672	<u>24,829</u>
Total U.S. Department of Agriculture		<u>24,829</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through South Carolina Adjutant General's Office		
Emergency Management Performance Grants	97.042	<u>57,430</u>
Total U.S. Department of Homeland Security		<u>57,430</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES		
Passed through the Humanities Council of SC		
Promotion of the Humanities	45.129	<u>2,336</u>
Total National Endowment for the Humanities		<u>2,336</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	<u>119,471</u>
Total U.S. Department of Health and Human Services		<u>119,471</u>
Total federal awards (accrual basis of accounting)		<u>\$ 2,520,952</u>