

**Fairfield County
Winnsboro, South Carolina**

Report on Financial Statements

For the year ended June 30, 2016

Fairfield County

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Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fairfield County, South Carolina (the "County") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Fairfield County Library Commission and Fairfield County Council on Aging were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule (GAAP Basis) – General Fund, the Schedule of Funding Progress for the Other Post Employment Benefit Plan, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of the County's Contributions, 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.

Other Information

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

The combining and individual fund financial statements, Schedule of Court Fines, Surcharges and Assessment Activity - Victim's Assistance Fund, Computation of Legal Debt Margin, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, Schedule of Court Fines, Surcharges and Assessment Activity - Victim's Assistance Fund, Computation of Legal Debt Margin, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Columbia, South Carolina
January 23, 2017

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2016

As management of Fairfield County (the "County"), we offer readers of our financial statements, this narrative overview and analysis of the financial activities for the year ended June 30, 2016. Please read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which immediately follow this section.

Statistical Data

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

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

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

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2016

Financial Highlights

- The County's financial condition has continued to maintain revenues at a relatively constant level over this period.
- **Net position** - The County's governmental activities total assets and deferred outflows exceeded its total liabilities and deferred inflows at June 30, 2016 by \$33,232,385 (net position).
- **Change in net position** - The County's net position increased over the course of this year's operations. Net position of the governmental activities increased by \$1,729,638.
- **General fund** - The principal operating fund of the County is the general fund. During fiscal year 2016, general fund revenues, which primarily consisted of property taxes and sales taxes were \$30,451,086. Expenditures and net transfers out of the general fund were \$27,648,273. This resulted in an increase in the fund balance for the year of \$2,802,813.
- **General fund budget** - The general fund actual revenues were greater than the final budgeted amounts by \$2,512,095 due primarily to greater than expected collections of taxes. General fund actual expenditures were less than the final budgeted amounts by \$271,930. This variance is primarily due to department directors making frugal decisions in regards to purchases and employee staffing.

Overview of the Financial Statements

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

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

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

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

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.

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2016

Overview of the Financial Statements, continued

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

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 to 49.

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

Financial Analysis of the County as a Whole

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, total assets and deferred outflows exceeded total liabilities and deferred inflows by \$33,232,385 as of June 30, 2016.

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

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

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2016

Financial Analysis of the County as a Whole, continued

The following table presents a summary of the County's net position for the fiscal years ended June 30, 2016 and 2015.

	2016	2015	Percentage Change
Current and other assets	\$ 46,889,674	\$ 48,938,707	(4.2)%
Capital assets, net	40,950,631	36,974,805	10.8%
Total assets	87,840,305	85,913,512	2.2%
Deferred outflows of resources	1,849,310	1,770,382	4.5%
Current liabilities	3,505,232	3,233,681	8.4%
Long-term liabilities	52,279,505	51,171,664	2.2%
Total liabilities	55,784,737	54,405,345	2.5%
Deferred inflows of resources	672,493	1,775,802	(62.1)%
Net position			
Net investment in capital assets	28,779,678	27,481,130	4.7%
Restricted	2,289,856	4,334,054	(47.2)%
Unrestricted	2,162,851	(312,437)	792.3%
Total net position	\$ 33,232,385	\$ 31,502,747	5.5%

Change in net position - The County's total revenues for the fiscal year ended June 30, 2016 were \$37,043,916. The total cost of all programs and services was \$35,314,278. The section below presents a summary of the activity that resulted in changes in net position for the fiscal years ended June 30, 2016 and 2015.

Compared to fiscal year 2016, the County's revenues and expenses increased due primarily to the following:

- **Property and accommodations taxes** - During fiscal year 2015, business personal property taxes significantly increased from approximately \$693,000 (2014) to \$2,037,000 (2015). During fiscal year 2016, business personal property taxes decreased by approximately \$539,000. The primary reason for the decrease is related to the construction at the nuclear plant. There are many companies who work in the County only for a limited amount of time, until their part of the job is complete at the nuclear plant. This kind of variation in business personal property taxes will likely continue as long as the construction is going on at the nuclear plant.
- **Gain (loss) on sale of capital assets** - There was a County auction held during fiscal year 2015, as well as the sale of a parcel of land that generated a gain of approximately \$520,000.
- **Operating grants and contributions** - The County has an ongoing federal grant for runway safety at its airport. During fiscal year 2016, there was extensive repairs and maintenance that had to be done, including tree removal, granite removal and runway lighting. Funding for this grant is provided on a reimbursement basis which may cause fluctuation depending on costs incurred during the year.
- **Public works and utilities** - For our CTC Road Improvement Program, a bid goes out each year for a specific set of roads to be repaired. The contractor who won the bid for fiscal year 2015, was still working in fiscal year 2016 to complete the set of roads in his contract. This was billed on a month to month basis, based on when the work was actually done. Therefore, the number of roads completed in fiscal year 2016 was larger than normal.

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2016

Financial Analysis of the County as a Whole, continued

	2016	2015	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 3,006,049	\$ 3,176,294	(5.4)%
Operating grants and contributions	2,145,930	477,086	349.8%
Capital grants and contributions	1,844,489	1,882,842	(2.0)%
General revenues			
Property and accommodations taxes	25,588,819	26,630,864	(3.9)%
Sales taxes	2,378,039	2,121,860	12.1%
Investment income	31,296	18,991	64.8%
Intergovernmental	1,499,757	1,490,348	0.6%
Gain (loss) on sale of capital assets	(3,592)	541,145	(100.7)%
Other	553,129	356,474	55.2%
Total revenues	<u>37,043,916</u>	<u>36,695,904</u>	0.9%
Expenses			
General government	11,703,323	11,837,364	(1.1)%
Public safety	6,760,910	6,581,481	2.7%
Public works and utilities	3,793,627	2,309,220	64.3%
Health and welfare	9,175,609	8,942,805	2.6%
Judicial	1,155,761	1,132,337	2.1%
Cultural and recreation	1,525,410	1,507,982	1.2%
Interest and fiscal charges	1,199,638	1,236,740	(3.0)%
Total expenses	<u>35,314,278</u>	<u>33,547,929</u>	5.3%
Increase in net position	<u>\$ 1,729,638</u>	<u>\$ 3,147,975</u>	(45.1)%

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

	Total Expenses	Net Expense
General government	\$ 11,703,323	\$ (10,346,312)
Public safety	6,760,910	(6,609,012)
Public works and utilities	3,793,627	(1,131,126)
Health and welfare	9,175,609	(7,021,632)
Judicial	1,155,761	(579,080)
Cultural and recreation	1,525,410	(1,431,010)
Interest and fiscal charges	1,199,638	(1,199,638)
Total expenses	<u>\$ 35,314,278</u>	<u>\$ (28,317,810)</u>

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2016

Financial Analysis of the County as a Whole, continued

The cost of all governmental activities this year was \$35,314,278. Expenses consist primarily of general government, public safety, and health and welfare totaling \$11,703,323, \$6,760,910 and \$9,175,609, respectively. The net cost of governmental activities was \$28,317,810 which was financed by general revenues and beginning net position. General revenues consist primarily of property and accommodations taxes of \$25,588,819.

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 \$43,588,265. Of this combined fund balance, \$15,014,567 or 34% is unassigned and therefore available for spending at the County's discretion.

The general fund is the principal operating fund of the County. The increase in fund balance in the general fund for the fiscal year was \$2,802,813 which was mainly the result of revenues exceeding expenditures.

Capital Assets and Debt Administration

Capital Assets - As of June 30, 2016, the County had invested, net of related debt, \$28,779,678 in capital assets, including land, land improvements, buildings and improvements, leasehold improvements, infrastructure, machinery and equipment and software. Total depreciation expense for the year was \$2,515,431.

The schedule below presents capital asset balances, net of depreciation, for the fiscal year ended June 30, 2016.

Capital assets, not being depreciated	
Land	\$ 3,107,473
Construction in progress	5,271,904
	<u>8,379,377</u>
Capital assets, being depreciated	
Land improvements	23,676,727
Buildings and improvements	23,313,172
Leasehold improvements	1,658,079
Infrastructure	6,208,460
Machinery and equipment	20,518,376
Software	400,282
	<u>75,775,096</u>
Less accumulated depreciation	<u>(43,203,842)</u>
Total capital assets, being depreciated, net	<u>32,571,254</u>
Net capital assets	<u>\$ 40,950,631</u>

Debt Administration - At year end, the County had \$29,161,035 in general obligation and revenue bonds, net of unamortized bond discounts, of which \$977,131 is due within one year.

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2016

Economic Factors and Budgetary Projections

Unlike a typical county, the County's revenue stream is relatively constant. This is due primarily to a licensed electrical generating facility located in our county, which accounts for approximately 38% of our property tax revenues. The facility received an extension to its operating license through 2042, which gives us a measure of comfort; however, we are very careful not to abuse this revenue source. Taking this revenue source into account and the other economic factors in our community, our budget philosophy is to be socially responsible within a very conservative fiscal approach. We expect this trend will continue over future budgets.

Request for Information

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

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

Fairfield County, South Carolina
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 41,172,501
Taxes receivable, net	448,343
Accounts receivable, net	1,237,846
Due from other governments	2,607,782
Prepaid items	279,202
Land and building held for sale	1,144,000
Capital assets, not being depreciated	8,379,377
Capital assets, being depreciated net	32,571,254
Total assets	87,840,305
Deferred outflows of resources	
Deferred outflows related to net pension liability	1,849,310
Total deferred outflows of resources	1,849,310
Liabilities	
Accounts payable	1,697,796
Retainage payable	226,712
Accrued liabilities	631,157
Due to taxpayers	3,297
Due to other agencies	524,556
Due to component unit	47,350
Due to other governments	5,599
Accrued interest payable	368,765
Long-term liabilities	
Due within one year	1,038,881
Due in more than one year	28,796,727
Net pension liability	20,591,231
Net other post employment benefit obligation	1,852,666
Total liabilities	55,784,737
Deferred inflows of resources	
Deferred inflows related to net pension liability	672,493
Total deferred inflows of resources	672,493
Net Position	
Net investment in capital assets	28,779,678
Restricted for:	
General government programs	68,783
Public safety programs	137,808
Health and welfare programs	921,187
Judicial programs	115,437
Cultural and recreation programs	146,922
Debt service	899,719
Unrestricted	2,162,851
Total net position	\$ 33,232,385

Fairfield County, South Carolina

Statement of Activities

For the fiscal year ended June 30, 2016

Functions/Programs	Expenses	Program revenues			Net revenue (expense) and changes in net position
		Charges for sales and service	Operating grants and contributions	Capital grants and contributions	Governmental activities
Governmental activities					
General government	\$ 11,703,323	\$ 213,414	\$ 1,143,597	\$ -	\$ (10,346,312)
Public safety	6,760,910	47,295	104,603	-	(6,609,012)
Public works and utilities	3,793,627	568,743	249,269	1,844,489	(1,131,126)
Health and welfare	9,175,609	1,608,677	545,300	-	(7,021,632)
Judicial	1,155,761	473,520	103,161	-	(579,080)
Cultural and recreation	1,525,410	94,400	-	-	(1,431,010)
Interest and fiscal charges	1,199,638	-	-	-	(1,199,638)
Total governmental activities	35,314,278	3,006,049	2,145,930	1,844,489	(28,317,810)
Total	\$ 35,314,278	\$ 3,006,049	\$ 2,145,930	\$ 1,844,489	
General revenues:					
Property taxes					25,420,396
Sales tax					2,378,039
Accommodations tax					168,423
Investment income					31,296
Intergovernmental					1,499,757
Loss on sale of capital assets					(3,592)
Other					553,129
Total general revenues					30,047,448
Change in net position					1,729,638
Net position, beginning of year					31,502,747
Net position, end of year					\$ 33,232,385

Fairfield County, South Carolina

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Road Improvement Program	Fairfield Facilities Corporation	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 16,829,573	\$ 136,593	\$ 17,957,442	\$ 6,248,893	\$ 41,172,501
Taxes receivable, net	420,341	-	-	28,002	448,343
Accounts receivable, net	1,227,814	-	-	10,032	1,237,846
Due from other funds	1,566,530	-	-	200,000	1,766,530
Due from other governments	1,337,425	846,340	-	424,017	2,607,782
Prepaid items	67,220	-	197,238	14,744	279,202
Land and building held for sale	-	-	-	1,144,000	1,144,000
Total assets	<u>\$ 21,448,903</u>	<u>\$ 982,933</u>	<u>\$ 18,154,680</u>	<u>\$ 8,069,688</u>	<u>\$ 48,656,204</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 411,143	\$ 537,657	\$ 540,648	\$ 208,348	\$ 1,697,796
Retainage payable	-	-	226,712	-	226,712
Accrued liabilities	601,317	-	-	29,840	631,157
Due to other funds	-	152,050	200,000	1,414,480	1,766,530
Due to taxpayers	3,297	-	-	-	3,297
Due to other agencies	324,556	-	-	200,000	524,556
Due to component unit	47,350	-	-	-	47,350
Due to other governments	5,599	-	-	-	5,599
Total liabilities	<u>1,393,262</u>	<u>689,707</u>	<u>967,360</u>	<u>1,852,668</u>	<u>4,902,997</u>
Deferred inflows of resources					
Unavailable revenue - property taxes	<u>153,836</u>	<u>-</u>	<u>-</u>	<u>11,106</u>	<u>164,942</u>
Total deferred inflows of resources	<u>153,836</u>	<u>-</u>	<u>-</u>	<u>11,106</u>	<u>164,942</u>
Fund balances					
Nonspendable					
Prepaid items	67,220	-	197,238	14,744	279,202
Restricted					
General government	-	-	-	68,783	68,783
Public safety	-	-	-	137,808	137,808
Health and welfare	-	-	-	921,187	921,187
Judicial	-	-	-	115,437	115,437
Cultural and recreation	-	-	-	146,922	146,922
Debt service	-	-	-	899,719	899,719
Capital outlay	-	-	16,990,082	-	16,990,082
Committed					
Local option sales tax	580,018	-	-	-	580,018
General government	3,480,000	-	-	-	3,480,000
Public works and utilities	-	293,226	-	1,249,277	1,542,503
Health and welfare	760,000	-	-	-	760,000
Cultural and recreation	-	-	-	36,715	36,715
Capital outlay	-	-	-	2,615,322	2,615,322
Unassigned	<u>15,014,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,014,567</u>
Total fund balances	<u>19,901,805</u>	<u>293,226</u>	<u>17,187,320</u>	<u>6,205,914</u>	<u>43,588,265</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,448,903</u>	<u>\$ 982,933</u>	<u>\$ 18,154,680</u>	<u>\$ 8,069,688</u>	<u>\$ 48,656,204</u>

See Notes to Basic Financial Statements

Fairfield County, South Carolina**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016**

Total governmental fund balances	\$ 43,588,265
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Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

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

Historical cost of capital assets	\$ 84,154,473	
Accumulated depreciation	(43,203,842)	
		40,950,631

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

164,942

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

Deferred outflows related to net pension liability	1,849,310	
Deferred inflows related to net pension liability	(672,493)	
Net pension liability	(20,591,231)	
Net other post employment benefit obligation	(1,852,666)	
Accrued compensated absences	(674,573)	
		(21,941,653)

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

Bonds payable, net of unamortized bond discounts	(29,161,035)	
Accrued interest payable	(368,765)	
		(29,529,800)

Net position of governmental activities	\$ 33,232,385
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Fairfield County, South Carolina**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds****For the fiscal year ended June 30, 2016**

	General Fund	Road Improvement Program	Fairfield Facilities Corporation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 24,098,796	\$ -	\$ -	\$ 1,558,058	\$ 25,656,854
Sales tax	2,378,039	-	-	-	2,378,039
Intergovernmental	1,499,757	1,844,489	-	2,145,930	5,490,176
Licenses, permits, fines and fees	761,293	104,850	-	212,435	1,078,578
Charges for services	1,485,063	-	-	442,408	1,927,471
Investment income	25,870	-	5,422	4	31,296
Other	202,268	-	-	350,861	553,129
Total revenues	30,451,086	1,949,339	5,422	4,709,696	37,115,543
Expenditures					
General government	8,378,928	-	-	1,548,291	9,927,219
Public safety	6,115,252	-	-	224,779	6,340,031
Public works and utilities	1,395,394	1,977,051	-	298,270	3,670,715
Health and welfare	7,635,720	-	-	1,165,371	8,801,091
Judicial	1,081,363	-	-	65,489	1,146,852
Cultural and recreation	1,290,091	-	-	166,881	1,456,972
Capital outlay	-	-	3,272,791	3,247,921	6,520,712
Debt service					
Principal retirement	-	-	10,000	956,047	966,047
Interest and fiscal charges	-	-	895,883	286,614	1,182,497
Total expenditures	25,896,748	1,977,051	4,178,674	7,959,663	40,012,136
Excess (deficiency) of revenues over (under) expenditures	4,554,338	(27,712)	(4,173,252)	(3,249,967)	(2,896,593)
Other financing sources (uses)					
Proceeds from general obligation bonds	-	-	-	612,000	612,000
Proceeds from sale of capital assets	-	-	-	25,863	25,863
Transfers in	668,670	-	896,551	2,420,227	3,985,448
Transfers out	(2,420,195)	-	-	(1,565,253)	(3,985,448)
Total other financing sources (uses)	(1,751,525)	-	896,551	1,492,837	637,863
Net change in fund balances	2,802,813	(27,712)	(3,276,701)	(1,757,130)	(2,258,730)
Fund balances, beginning of year	17,098,992	320,938	20,464,021	7,963,044	45,846,995
Fund balances, end of year	\$ 19,901,805	\$ 293,226	\$ 17,187,320	\$ 6,205,914	\$ 43,588,265

See Notes to Basic Financial Statements

Fairfield County, South Carolina
**Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the fiscal year ended June 30, 2016**

Total net change in fund balance - governmental funds \$ (2,258,730)

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

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

Capital outlay	\$ 6,520,712	
Depreciation expense	<u>(2,515,431)</u>	
		4,005,281

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

Loss on sale of capital assets	(3,592)	
Proceeds from sale of capital assets	<u>(25,863)</u>	
		(29,455)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (68,035)

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

Net pension liability	(112,811)	
Net other post employment benefit obligation	(160,490)	
Accrued compensated absences	<u>16,972</u>	
		(256,329)

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

Bond proceeds	(612,000)	
Bond repayments	966,047	
Amortization of bond discounts	(23,322)	
Accrued interest payable	<u>6,181</u>	
		<u>336,906</u>

Change in net position of governmental activities \$ 1,729,638

Fairfield County, South Carolina***Statement of Fiduciary Net Position******June 30, 2016***

Assets

Cash and cash equivalents	\$	17,068,575
Taxes receivable, net		<u>610,461</u>
Total assets	\$	<u><u>17,679,036</u></u>

Liabilities

Amounts held for others	\$	924,036
Due to other governments		<u>16,755,000</u>
Total liabilities	\$	<u><u>17,679,036</u></u>

Fairfield County**Governmental Discretely Presented Component Unit****Fairfield County Library Commission****Statement of Net Position****June 30, 2016**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 220,805
Accounts receivable	19,992
Investments	62,351
Prepaid items	9,868
Due from primary government	47,350
Capital assets, being depreciated net	609,068
Total assets	969,434
Deferred outflows of resources	
Deferred outflows related to net pension liability	46,857
Total deferred outflows of resources	46,857
Liabilities	
Accounts payable	13,135
Accrued liabilities	7,590
Long-term liabilities	
Accrued compensated absences - due within one year	3,430
Accrued compensated absences - due after one year	4,831
Net pension liability	564,222
Total liabilities	593,208
Deferred inflows of resources	
Deferred inflows related to net pension liability	1,009
Total deferred inflows of resources	1,009
Net Position	
Investment in capital assets	609,068
Restricted for:	
Nonexpendable	168,392
Capital outlay	4,936
Unrestricted	(360,322)
Total net position	\$ 422,074

Fairfield County*Governmental Discretely Presented Component Unit**Fairfield County Library Commission**Statement of Activities**For the fiscal year ended June 30, 2016*

	Expenses	Program revenues		Net revenue (expense) and changes in net position
		Charges for sales and service	Operating grants and contributions	Governmental activities
Functions/Programs				
Governmental activities				
Library services	\$ 612,457	\$ 16,108	\$ 94,850	\$ (501,499)
General revenues:				
County appropriations				505,520
Investment income				1,355
Gifts and donations				52,116
Total general revenues				558,991
Change in net position				57,492
Net position, beginning of year				364,582
Net position, end of year				\$ 422,074

Fairfield County***Nongovernmental Discretely Presented Component Units******Statements of Financial Position******June 30, 2016***

	Fairfield Behavioral Health Services	Fairfield County Council on Aging	Total
Assets			
Cash	\$ 286,525	\$ 299,884	\$ 586,409
Receivables	37,614	62,139	99,753
Certificates of deposit	89,747	-	89,747
Prepaid expenses	-	2,565	2,565
Property and equipment, net	77,382	345,870	423,252
Total assets	<u>\$ 491,268</u>	<u>\$ 710,458</u>	<u>\$ 1,201,726</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 12,367	\$ 16,874	\$ 29,241
Deferred revenue	63,842	-	63,842
Accrued compensated absences	24,268	2,234	26,502
Capital lease payable	-	7,708	7,708
Total liabilities	100,477	26,816	127,293
Net assets			
Unrestricted	390,791	683,642	1,074,433
Total net assets	390,791	683,642	1,074,433
Total liabilities and net assets	<u>\$ 491,268</u>	<u>\$ 710,458</u>	<u>\$ 1,201,726</u>

Fairfield County**Nongovernmental Discretely Presented Component Units****Statements of Activities****For the fiscal year ended June 30, 2016**

	Fairfield Behavioral Health Services	Fairfield County Council on Aging	Total
Changes in unrestricted net assets:			
Revenues and other support			
Local	\$ -	\$ 360,309	\$ 360,309
County appropriations	52,288	93,411	145,699
State contracts	-	49,549	49,549
Client fees	107,581	-	107,581
Medicaid	11,964	-	11,964
Minibottle	43,622	-	43,622
In-kind service and materials	-	10,455	10,455
Investment income	806	66	872
Other	14,787	18,447	33,234
Net assets released from restrictions	648,350	71,082	719,432
Total revenues, gains and other support	879,398	603,319	1,482,717
Expenses			
Program services	564,702	383,146	947,848
Supporting services	197,050	143,345	340,395
Total expenses	761,752	526,491	1,288,243
Change in unrestricted net assets	117,646	76,828	194,474
Changes in temporarily restricted net assets:			
Federal	210,451	-	210,451
State	65,529	-	65,529
Grants	372,370	69,157	441,527
Net assets released from restrictions	(648,350)	(71,082)	(719,432)
Change in temporarily restricted net assets	-	(1,925)	(1,925)
Change in net assets	117,646	74,903	192,549
Net assets, beginning of year			
Unrestricted	273,145	606,814	879,959
Temporarily restricted	-	1,925	1,925
	273,145	608,739	881,884
Net assets, end of year			
Unrestricted	390,791	683,642	1,074,433
	\$ 390,791	\$ 683,642	\$ 1,074,433

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

Using the criteria of GASB Codification Sec. 2100, the basic financial statements of the County present the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship, with the primary government, are such that exclusion could cause the County's financial statements to be misleading or incomplete.

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

Blended Component Unit - During fiscal year 2013, the County created the Fairfield Facilities Corporation (the "Corporation") to facilitate the issuance of debt for the County. The activities of the Corporation have been "blended" with the County and are presented as a major fund for fiscal year 2016. County Council appoints the officers and directors of the Corporation. The Corporation does not issue separate financial statements.

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

A. Reporting Entity - (Continued)

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

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

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

B. Basis of Presentation

The statements of the County are presented as follows:

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

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

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

C. Measurement Focus and Basis of Accounting

Fund Accounting

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

The government reports the following major governmental funds:

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

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

Road Improvement Program - The road improvement program is a capital project fund used to account for road improvement projects in the County.

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

Additionally, the government reports the following nonmajor fund types:

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

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

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

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

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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.

Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Expenses / Expenditures

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

Interfund Activity

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the County's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

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

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

State statutes authorize the County to invest in:

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

At June 30, 2016, receivables for the County's individual major funds and other nonmajor governmental funds in the aggregate including the applicable allowance for uncollectible accounts, are as follows:

	General	Nonmajor Governmental	Total
Taxes	\$ 442,465	\$ 29,476	\$ 471,941
Accounts	2,361,223	10,032	2,371,255
Gross	2,803,688	39,508	2,843,196
Less:			
Allowance - taxes	22,123	1,474	23,597
Allowance - accounts	1,133,409	-	1,133,409
Net receivables	\$ 1,648,156	\$ 38,034	\$ 1,686,190

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

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

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

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

Capital Assets - Capital assets, which include land, construction in progress, land improvements, buildings and improvements, leasehold improvements, infrastructure, machinery and equipment, and software, are reported in the applicable governmental activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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

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

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

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

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

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

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

Fund balances - Governmental funds report fund balances in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2016, fund balances for governmental funds are made up of the following categories:

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

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

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

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, 2016, County Council had not established an unassigned fund balance target.

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

Reported amounts for net investment in capital assets are as follows at June 30, 2016:

Capital assets, net of accumulated depreciation	\$ 40,950,631
Less: Bonds payable, net of unamortized bond discounts	(29,161,035)
Less: Capital project payables and retainages	(967,360)
Add: Unspent bond proceeds	<u>17,957,442</u>
	<u>\$ 28,779,678</u>

E. Subsequent Events

In preparing these financial statements, the County's management has evaluated events and transactions for potential recognition or disclosure through January 23, 2017, the date these financial statements were available for issuance.

F. Adoption of New Accounting Standard

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

Note 2. Stewardship, Compliance and Accountability

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 2. Stewardship, Compliance and Accountability - (Continued)

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.

Note 3. Deposits and Investments

At June 30, 2016, the County's cash and investments included demand deposits and local government investment pools. The local government investment pool is managed by the State.

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. The County does not have a deposit policy for custodial credit risk. At June 30, 2016, the carrying amount of the County's deposits was \$46,353,497 and the bank balance was \$47,294,486.

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, 2016, all of the County's bank balance was insured or collateralized.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 3. Deposits and Investments - (Continued)

As of June 30, 2016, the County held the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
South Carolina Local Government Investment Pool	<u>\$ 11,887,579</u>	N/A

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

The following reconciles deposits and investments to the Statement of Net Position amounts:

Exhibit 3 - Cash and cash equivalents	\$ 41,172,501	Deposits	\$ 46,353,497
Exhibit 7 - Cash and cash equivalents	<u>17,068,575</u>	LGIP	<u>11,887,579</u>
Total	<u>\$ 58,241,076</u>	Total	<u>\$ 58,241,076</u>

Custodial credit risk:

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

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the County. The County has no investment policy that would further limit its investment choices other than State law. As of June 30, 2016, the underlying security ratings of the County's investment in the LGIP may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned.

Interest rate risk:

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 3. Deposits and Investments - (Continued)

Concentration of credit risk:

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

Foreign currency risk:

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

Note 4. Interfund Assets and Liabilities

The balances of interfund receivables and payables at June 30, 2016 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 1,414,480
General Fund	Road Improvement Program	152,050
Nonmajor Governmental	Fairfield Facilities Corporation	200,000

All of the above balance 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, 2016 consisted of the following individual amounts:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 668,670
Fairfield Facilities Corporation	Nonmajor Governmental	896,551
Nonmajor Governmental	General Fund	2,420,195
Nonmajor Governmental	Nonmajor Governmental	32
		<u>\$ 3,985,448</u>

Note 5. Due From Other Governmental Units

Amounts due from other governments at June 30, 2016 in the governmental type funds consisted of the following:

	<u>State</u>	<u>Federal</u>	<u>Total</u>
General Fund	\$ 1,325,966	\$ 11,459	\$ 1,337,425
Road Improvement Program	846,340	-	846,340
Nonmajor Governmental	65,909	358,108	424,017
	<u>\$ 2,238,215</u>	<u>\$ 369,567</u>	<u>\$ 2,607,782</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 6. Notes Receivable - Hospital

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

Note 7. Capital Assets

The following is a summary of the changes in the County's capital assets for the fiscal year ended June 30, 2016:

	Balance, June 30, 2015	Additions	Reductions	Balance, June 30, 2016
Capital assets, not being depreciated				
Land	\$ 3,062,341	\$ 45,132	\$ -	\$ 3,107,473
Construction in progress	<u>7,429,107</u>	<u>3,767,478</u>	<u>(5,924,681)</u>	<u>5,271,904</u>
Total capital assets, not being depreciated	<u>10,491,448</u>	<u>3,812,610</u>	<u>(5,924,681)</u>	<u>8,379,377</u>
Capital assets, being depreciated				
Land improvements	23,670,921	5,806	-	23,676,727
Buildings and improvements	22,363,126	950,046	-	23,313,172
Leasehold improvements	1,658,079	-	-	1,658,079
Infrastructure	1,106,890	5,101,570	-	6,208,460
Machinery and equipment	18,329,985	2,575,361	(386,970)	20,518,376
Software	<u>400,282</u>	<u>-</u>	<u>-</u>	<u>400,292</u>
Total capital assets, being depreciated	<u>67,529,283</u>	<u>8,632,783</u>	<u>(386,970)</u>	<u>75,775,096</u>
Accumulated depreciation	<u>(41,045,926)</u>	<u>(2,515,431)</u>	<u>357,515</u>	<u>(43,203,842)</u>
Total capital assets, being depreciated, net	<u>26,483,357</u>	<u>6,117,352</u>	<u>(29,455)</u>	<u>32,571,254</u>
Net capital assets	<u>\$ 36,974,805</u>	<u>\$ 9,929,962</u>	<u>\$ (5,954,136)</u>	<u>\$ 40,950,631</u>

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

General government	\$ 1,604,592
Public safety	382,036
Public works and utilities	118,321
Health and welfare	343,911
Judicial	1,382
Cultural and recreation	<u>65,189</u>
	<u>\$ 2,515,431</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 8. HON Facility

The County has entered into a long-term lease agreement with the State for the use of its HON facility. The HON facility has square footage of approximately 186,000 and is located in Winnsboro, South Carolina. The lease agreement requires no annual lease payment from the County; however, the County must pay for all maintenance, utilities and insurance for the facility. The lease will expire during fiscal year 2031. The County's Assessor has estimated a fair market value for leasing similar sized industrial spaces at \$2.75 per square foot. Based on its assessment, the County has recorded \$511,500 as an in-kind contribution from the State and rent expense in the General Fund for the year ended June 30, 2016.

Note 9. Long-Term Liabilities

The following is a summary of the changes in general long-term liabilities for the fiscal year ended June 30, 2016:

	Balance, June 30, 2015	Additions	Reductions	Balance, June 30, 2016	Due in less than one year	Due in more than one year
Bonds payable:						
General obligation bonds	\$ 5,395,980	\$ 612,000	\$ 956,047	\$ 5,051,933	\$ 990,453	\$ 4,061,480
Revenue bonds	24,680,000	-	10,000	24,670,000	10,000	24,660,000
Less: unamortized bond discounts	(584,220)	-	(23,322)	(560,898)	(23,322)	(537,576)
Total bonds payable	<u>\$ 29,491,760</u>	<u>\$ 612,000</u>	<u>\$ 942,725</u>	<u>\$ 29,161,035</u>	<u>\$ 977,131</u>	<u>\$ 28,183,904</u>
Accrued compensated absences	<u>\$ 691,545</u>	<u>\$ 58,993</u>	<u>\$ (75,965)</u>	<u>\$ 674,573</u>	<u>\$ 61,750</u>	<u>\$ 612,823</u>

General obligation bonds consisted of the following at June 30, 2016:

\$6,750,000 general obligation bonds due in annual installments of \$740,000 to \$955,000 through March 1, 2020; interest at 3.2% to 4.3%	\$ 3,565,000
\$769,178 general obligation bonds due in annual installments of \$36,250 to \$316,958 through March 1, 2021; interest at 2.95%	324,250
\$1,156,000 general obligation bonds due in annual installments of \$5,000 to \$878,239 through March 1, 2021; interest at 2.92%	244,683
\$306,000 general obligation bonds due in annual installments of \$36,250 to \$149,695 through March 1, 2022; interest at 2.18%	306,000
\$306,000 general obligation bonds due in annual installments of \$33,239 to \$106,830 through March 1, 2022; interest at 3.01%	306,000
\$306,000 general obligation bonds due in annual installments of \$27,714 to \$121,406 through March 1, 2023; interest at 3.54%	306,000
	<u>\$ 5,051,933</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 9. Long-Term Liabilities - (Continued)

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

Revenue bonds consisted of the following at June 30, 2016:

\$3,710,000 series 2013A revenue bonds due in annual installments of \$10,000 to \$875,000 through September 1, 2025; interest at 2.6% to 3.3%	\$ 3,690,000
\$20,980,000 series 2013B revenue bonds due in annual installments of \$500,000 to \$1,600,000 through September 1, 2042; interest at 2.2% to 4.0%	<u>20,980,000</u>
	<u>\$ 24,670,000</u>

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

Year Ended June 30	Principal	Interest	Total
General Obligation Bonds			
2017	\$ 990,453	\$ 219,096	\$ 1,209,549
2018	1,027,797	176,059	1,203,856
2019	1,070,632	129,663	1,200,295
2020	1,085,145	79,732	1,164,877
2021	589,895	26,002	615,897
2022-2023	<u>288,011</u>	<u>10,283</u>	<u>298,294</u>
	<u>\$ 5,051,933</u>	<u>\$ 640,835</u>	<u>\$ 5,692,768</u>
Revenue Bonds			
2017	\$ 10,000	\$ 886,288	\$ 896,288
2018	10,000	886,025	896,025
2019	10,000	885,763	895,763
2020	10,000	885,500	895,500
2021	10,000	885,238	895,238
2022-2026	4,140,000	4,142,009	8,282,009
2027-2031	4,805,000	3,438,931	8,243,931
2032-2036	5,690,000	2,524,381	8,214,381
2037-2041	6,845,000	1,332,319	8,177,319
2042-2043	<u>3,140,000</u>	<u>126,800</u>	<u>3,266,800</u>
	<u>\$ 24,670,000</u>	<u>\$ 15,993,254</u>	<u>\$ 40,663,254</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans

Description of the Entity:

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

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

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

Plan descriptions:

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

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

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

Membership:

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans - (Continued)

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

State ORP - As an alternative to membership in SCRS, newly hired State, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP, which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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

Benefits:

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans - (Continued)

Benefits (continued):

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

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

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

Contributions:

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

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
SCRS		
Employee Class Two	8.16%	8.00%
Employee Class Three	8.16%	8.00%
State ORP		
Employee	8.16%	8.00%
PORS		
Employee Class Two	8.74%	8.41%
Employee Class Three	8.74%	8.41%

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans - (Continued)

Contributions (continued):

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>
SCRS		
Employer Class Two	10.91%	10.75%
Employer Class Three	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	13.34%	13.01%
Employer Class Three	13.34%	13.01%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

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

Actuarial assumptions and methods:

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

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans - (Continued)

Actuarial assumptions and methods (continued):

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service) ¹	4.0% to 10.0% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.75%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows.

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans - (Continued)

Net pension liability:

The net pension liability is calculated separately for each system and represents the SCRS's total pension liability determined in accordance with GASB Statement No. 67 less that system's fiduciary net position. The net pension liability, as of June 30, 2015, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 44,097,310,230	\$ 25,131,828,101	\$ 18,965,482,129	56.99%
PORS	6,151,321,222	3,971,824,838	2,179,496,384	64.57%

The total pension liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the System's notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2016, the County reported a liability of \$15,143,558 and \$5,447,673 for its proportionate share of the net pension liability of the SCRS and PORS, respectively. The County's proportionate share of the SCRS net pension liability was calculated on the basis of historical employer contributions to the plan. At June 30, 2015, the County's proportionate share was 0.07985% for SCRS and 0.24995% for PORS.

Deferred outflows of resources and deferred inflows of resources:

At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to its pension liabilities from the following sources for each of the respective plans:

	SCRS	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 269,049	\$ 27,081
Net difference between projected and actual earnings on pension plan investments	101,363	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	645,412
County contributions subsequent to the measurement date	838,062	-
Total	\$ 1,208,474	\$ 672,493

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans - (Continued)

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

	PORS	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 107,974	\$ -
Net difference between projected and actual earnings on pension plan investments	59,607	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,971	-
County contributions subsequent to the measurement date	<u>439,284</u>	<u>-</u>
Total	<u>\$ 640,836</u>	<u>\$ -</u>

The \$838,062 and \$439,284 reported as deferred outflows of resources related to pensions resulting from County contributions paid subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2016 will be recognized as a reduction of the net pension liabilities during the year ending June 30, 2017.

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

	SCRS
Year Ended June 30:	
2017	\$ 139,154
2018	139,154
2019	231,568
2020	(207,795)

	PORS
Year Ended June 30:	
2017	\$ (25,887)
2018	(25,887)
2019	(21,118)
2020	(128,660)

Pension expense:

For the year ended June 30, 2016, the County recognized pension expense of \$896,183 and \$493,975 for the SCRS and the PORS, respectively.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans - (Continued)

Long Term Expected Rate of Return:

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term:			
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income:			
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income:			
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives:			
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 10. Pension Plans - (Continued)

Discount rate:

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity analysis:

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 19,091,700	\$ 15,143,558	\$ 11,834,514
PORS	7,421,002	5,447,673	3,683,623

Note 11. Deferred Compensation/Salary Deferral Plan

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 12. Other Post Employment Benefits (OPEB)

Plan Description - The County's policy is to provide post-retirement health, life and dental care benefits to substantially all employees who retire under the State's retirement plans. Its plan is a single-employer defined benefit plan. Effective July 1, 2014, 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 \$150 per month to help supplement the cost of purchasing Medicare gap coverage. Benefits may still be purchased for eligible retiree dependents; however, the cost of these benefits are paid by the retiree and no longer the County.

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, 2016, the County recognized approximately \$261,000 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, including interest	\$ 222,905
Amortization of unamortized accrued liability	<u>201,802</u>
Annual Required Contribution (ARC)	424,707
Interest on net OPEB obligation	67,687
Adjustment to ARC	<u>(70,453)</u>
Annual OPEB cost	421,941
Contributions made	<u>(261,451)</u>
Increase in net OPEB obligation	160,490
Net obligation, beginning of year	<u>1,692,176</u>
Net obligation, end of year	<u>\$ 1,852,666</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016, 2015 and 2014 fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 421,941	61.96%	\$ 1,852,666
2015	300,758	67.85%	1,692,176
2014	272,481	66.04%	1,595,478

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

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

Funded Status and Funding Progress - As of July 1, 2016, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$4,942,943, 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 2016 fiscal year was \$11,031,754, and the ratio of the UAAL to the covered payroll was approximately 45%.

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.

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, 2016 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 7.0% in 2016 graded down to 5.0% over 4 years. 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.

Note 13. Risk Management

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2016

Note 14. 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, 2016, the County incurred costs totaling approximately \$683,000 (net of user fees) under this agreement.

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

The County is obligated under certain maintenance agreements for continued service to office machinery, data processing equipment and software. Each contract is evaluated annually and a decision is made to either continue the service or let the maintenance agreement lapse. For the year ended June 30, 2016, the total cost included in the financial statements of the County was approximately \$542,000.

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

As of June 30, 2016, the County has outstanding construction contracts of approximately \$2,006,000.

Note 15. Economic Dependency

The County received a substantial portion of its property tax revenues from a single taxpayer, South Carolina Electric and Gas (SCANA Corporation). Of the County's total property tax revenues of \$25,420,396 for the year ended June 30, 2016, approximately \$9,753,000 was generated from SCANA Corporation due to its operation of the VC Summer Nuclear Plant. This represents approximately 38% of total property tax revenues for the County. Consequently, the funding of County operations is heavily dependent on property tax revenues collected from SCANA Corporation.

Note 16. Local Option Sales Tax

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

For the year ended June 30, 2016, amounts remitted (allocated) to the County totaled approximately \$2.4 million. The County passed an ordinance devoting all of the proceeds received, from the State in the Local Option Sales Tax program, to property tax reduction. As of June 30, 2016, approximately \$580,000 of the General Fund's fund balance is committed for future local option sales tax credits.

Fairfield County, South Carolina***Notes to Basic Financial Statements******For the year ended June 30, 2016***

Note 17. Fireboard Fund Balance

The fiscal year 2016 millage resolution passed by County Council eliminated a separate millage rate for Fireboard Operations and Fireboard Debt and Capital, thereby eliminating the need for the Fireboard to be reported as a special revenue fund. Effective July 1, 2015, the County began reporting Fireboard transactions and balances within the general fund. As a result, fund balance reported in the general fund as of June 30, 2016 includes \$1,951,550 that was previously reported as fund balance in the Fireboard special revenue fund.

Fairfield County, South Carolina

Budgetary Comparison Schedule (GAAP Basis) - General Fund

For the fiscal year ended June 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 23,033,298	\$ 23,033,298	\$ 24,098,796	\$ 1,065,498
Sales tax	1,889,236	1,889,236	2,378,039	488,803
Intergovernmental	959,800	959,800	1,499,757	539,957
Licenses, permits, fines and fees	679,050	679,050	761,293	82,243
Charges for services	1,267,607	1,267,607	1,485,063	217,456
Investment income	6,000	6,000	25,870	19,870
Other	104,000	104,000	202,268	98,268
Total revenues	27,938,991	27,938,991	30,451,086	2,512,095
Expenditures				
General government				
County council	309,542	309,542	272,048	37,494
County attorney	169,995	169,995	69,680	100,315
County administrator	370,931	389,294	381,052	8,242
Finance	605,966	605,966	580,115	25,851
Human resources	243,547	243,547	221,446	22,101
Purchasing	191,144	191,758	191,750	8
Data processing	659,197	679,485	674,744	4,741
General operating	2,243,714	1,854,783	2,366,488	(511,705)
Tax assessor	382,339	382,354	339,214	43,140
Tax collector	170,281	173,460	150,844	22,616
Building maintenance	811,705	811,705	805,165	6,540
Planning and building	499,365	499,165	389,336	109,829
Transit	219,255	219,255	214,045	5,210
Economic development	206,131	492,508	488,870	3,638
Auditor	121,425	121,425	118,224	3,201
Treasurer	167,302	175,705	177,630	(1,925)
Voter registration / Election Commission	243,140	253,039	252,531	508
Veterans Affairs	103,444	103,444	73,102	30,342
Delegation	2,721	2,721	2,683	38
Airport commission	55,696	56,508	56,504	4
Quickjobs	47,948	47,948	35,054	12,894
Summer youth program	13,195	11,286	11,140	146
Soil and water conservation	34,714	34,714	34,204	510
Community liaison	56,546	62,392	62,230	162
Allocations to local organizations	410,829	410,829	410,829	-
Total general government	8,340,072	8,302,828	8,378,928	(76,100)
Public safety				
Sheriff	3,505,824	3,505,824	3,386,262	119,562
Detention center	1,713,941	1,778,941	1,755,582	23,359
Animal control	238,100	250,053	249,974	79
Coroner	150,983	155,285	154,355	930
Fire department	857,653	792,844	538,479	254,365
Allocations to local organizations	30,600	30,600	30,600	-
Total public safety	6,497,101	6,513,547	6,115,252	398,295

Fairfield County, South Carolina**Budgetary Comparison Schedule (GAAP Basis) - General Fund****For the fiscal year ended June 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Expenditures, Continued				
Public works and utilities				
Road maintenance division	1,479,565	1,429,565	1,395,394	34,171
Total public works and utilities	1,479,565	1,429,565	1,395,394	34,171
Health and welfare				
Fairfield County Department of Social Services	86,384	103,939	103,935	4
Emergency medical service	2,905,343	2,905,343	2,861,833	43,510
Emergency management	715,706	715,706	652,592	63,114
Solid waste	2,033,056	2,033,056	1,976,671	56,385
Allocations to local organizations	1,511,596	1,617,596	2,040,689	(423,093)
Total health and welfare	7,252,085	7,375,640	7,635,720	(260,080)
Judicial				
Probate Judge	155,959	157,692	157,508	184
Clerk of court	327,165	327,165	325,914	1,251
Family court	134,306	139,351	139,346	5
Magistrates	432,576	459,232	458,595	637
Total judicial	1,050,006	1,083,440	1,081,363	2,077
Cultural and recreation				
Recreation	870,584	870,584	698,081	172,503
Museum	86,084	86,084	85,260	824
Allocations to local organizations	506,990	506,990	506,750	240
Total cultural and recreation	1,463,658	1,463,658	1,290,091	173,567
Total expenditures	26,082,487	26,168,678	25,896,748	271,930
Excess of revenues over expenditures	1,856,504	1,770,313	4,554,338	2,784,025
Other financing sources (uses)				
Transfers in	20,000	20,000	668,670	648,670
Transfers out	(2,470,573)	(2,470,573)	(2,420,195)	50,378
Total other financing sources (uses)	(2,450,573)	(2,450,573)	(1,751,525)	699,048
Net change in fund balance	\$ (594,069)	\$ (680,260)	2,802,813	\$ 3,483,073
Fund balance, beginning of year			15,147,442	
Add: Fireboard fund balance, beginning of year (See Note 17)			1,951,550	
Fund balance, beginning of year, adjusted			17,098,992	
Fund balance, end of year			\$ 19,901,805	

Fairfield County, South Carolina**Schedule of Funding Progress for the Other Post Employment Benefit Plan
June 30, 2016**

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*	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2012	\$ -	\$ -	\$ 2,997,394	\$ 2,997,394	0%	\$ 8,875,961	34%
7/1/2014	-	-	3,313,031	3,313,031	0%	9,301,731	36%
7/1/2016	-	-	4,942,943	4,942,943	0%	11,031,754	45%

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

Fairfield County***Schedule of County's Proportionate Share of the Net Pension Liability******June 30, 2016***

	SCRS		
	2016	2015	2014
County's proportion of the net pension liability	0.07985%	0.08452%	0.08452%
County's proportionate share of the net pension liability	\$ 15,143,558	\$ 14,551,198	\$ 15,159,514
County's covered-employee payroll during the measurement period	\$ 7,488,006	\$ 7,684,474	\$ 7,782,679
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.24%	189.36%	194.79%
Plan fiduciary net position as a percentage of the total pension liability	56.99%	59.92%	56.39%
	PORS		
	2016	2015	2014
County's proportion of the net pension liability	0.24995%	0.24785%	0.24785%
County's proportionate share of the net pension liability	\$ 5,447,673	\$ 4,744,985	\$ 5,137,945
County's covered-employee payroll during the measurement period	\$ 3,096,543	\$ 2,952,824	\$ 2,894,221
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.93%	160.69%	177.52%
Plan fiduciary net position as a percentage of the total pension liability	64.57%	67.55%	62.98%

Fairfield County, South Carolina***Schedule of the County's Contributions******June 30, 2016***

	SCRS		
	2016	2015	2014
Contractually required contribution	\$ 838,062	\$ 816,051	\$ 813,352
Contributions made to pension plan	838,062	816,051	813,352
Contribution deficiency (excess)	\$ -	\$ -	\$ -
County's covered employee payroll	\$ 7,577,417	\$ 7,488,006	\$ 7,684,474
Contributions as a portion of covered employee payroll	11.06%	10.90%	10.58%

	PORS		
	2016	2015	2014
Contractually required contribution	\$ 439,284	\$ 415,246	\$ 382,767
Contributions made to pension plan	439,284	415,246	382,767
Contribution deficiency (excess)	\$ -	\$ -	\$ -
County's covered employee payroll	\$ 3,197,119	\$ 3,096,543	\$ 2,962,175
Contributions as a portion of covered employee payroll	13.74%	13.41%	12.92%

Note: This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2007 through 2013 is not readily available.

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Governmental Funds****June 30, 2016**

	Nonmajor Debt Service	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 882,823	\$ 1,525,482	\$ 3,840,588	\$ 6,248,893
Taxes receivable, net	28,002	-	-	28,002
Accounts receivable, net	-	597	9,435	10,032
Due from other funds	-	-	200,000	200,000
Due from other governments	-	398,154	25,863	424,017
Prepaid items	-	14,744	-	14,744
Land and building held for sale	-	-	1,144,000	1,144,000
Total assets	<u>\$ 910,825</u>	<u>\$ 1,938,977</u>	<u>\$ 5,219,886</u>	<u>\$ 8,069,688</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 116,842	\$ 91,506	\$ 208,348
Retainage payable	-	-	-	-
Accrued liabilities	-	29,840	-	29,840
Due to other funds	-	289,199	1,125,281	1,414,480
Due to other agencies	-	-	200,000	200,000
Total liabilities	<u>-</u>	<u>435,881</u>	<u>1,416,787</u>	<u>1,852,668</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	11,106	-	-	11,106
Total deferred inflows of resources	<u>11,106</u>	<u>-</u>	<u>-</u>	<u>11,106</u>
Fund balances				
Nonspendable				
Prepaid items	-	14,744	-	14,744
Restricted				
General government	-	68,783	-	68,783
Public safety	-	137,808	-	137,808
Health and welfare	-	921,187	-	921,187
Judicial	-	115,437	-	115,437
Cultural and recreation	-	146,922	-	146,922
Debt service	899,719	-	-	899,719
Committed				
Public works and utilities	-	-	1,249,277	1,249,277
Cultural and recreation	-	36,715	-	36,715
Capital outlay	-	61,500	2,553,822	2,615,322
Total fund balances	<u>899,719</u>	<u>1,503,096</u>	<u>3,803,099</u>	<u>6,205,914</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 910,825</u>	<u>\$ 1,938,977</u>	<u>\$ 5,219,886</u>	<u>\$ 8,069,688</u>

Fairfield County, South Carolina**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds****For the year ended June 30, 2016**

	Nonmajor Debt Service	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 1,421,806	\$ 136,252	\$ -	\$ 1,558,058
Intergovernmental	-	2,145,930	-	2,145,930
Licenses, permits, fines and fees	-	212,435	-	212,435
Charges for services	-	442,408	-	442,408
Investment income	-	4	-	4
Other	-	48,130	302,731	350,861
Total revenues	1,421,806	2,985,159	302,731	4,709,696
Expenditures				
General government	-	1,221,049	327,242	1,548,291
Public safety	-	224,779	-	224,779
Public works and utilities	-	248,000	50,270	298,270
Health and welfare	-	1,165,371	-	1,165,371
Judicial	-	65,489	-	65,489
Cultural and recreation	-	166,881	-	166,881
Capital outlay	-	228,506	3,019,415	3,247,921
Debt service				
Principal retirement	956,047	-	-	956,047
Interest and fiscal charges	286,614	-	-	286,614
Total expenditures	1,242,661	3,320,075	3,396,927	7,959,663
Excess (deficiency) of revenues over (under) expenditures	179,145	(334,916)	(3,094,196)	(3,249,967)
Other financing sources (uses)				
Proceeds from general obligation bonds	612,000	-	-	612,000
Proceeds from sale of capital assets	-	-	25,863	25,863
Transfers in	-	327,547	2,092,680	2,420,227
Transfers out	(896,550)	(15,339)	(653,364)	(1,565,253)
Total other financing sources (uses)	(284,550)	312,208	1,465,179	1,492,837
Net change in fund balances	(105,405)	(22,708)	(1,629,017)	(1,757,130)
Fund balances, beginning of year	1,005,124	1,525,804	5,432,116	7,963,044
Fund balances, end of year	\$ 899,719	\$ 1,503,096	\$ 3,803,099	\$ 6,205,914

Fairfield County, South Carolina**Comparative Balance Sheets - General Fund****June 30, 2016 and 2015**

	2016	2015
Assets		
Cash and cash equivalents	\$ 16,829,573	\$ 12,812,044
Taxes receivable, net	420,341	465,706
Accounts receivable, net	1,227,814	1,116,774
Due from other funds	1,566,530	1,044,336
Due from other governments	1,337,425	1,233,076
Prepaid items	67,220	53,931
Total assets	<u>\$ 21,448,903</u>	<u>\$ 16,725,867</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	\$ 411,143	\$ 434,113
Accrued liabilities	601,317	558,082
Due to taxpayers	3,297	3,302
Due to other agencies	324,556	321,749
Due to component unit	47,350	48,820
Due to other governments	5,599	6,201
Total liabilities	<u>1,393,262</u>	<u>1,372,267</u>
Deferred inflows of resources		
Unavailable revenue - property taxes	<u>153,836</u>	<u>206,158</u>
Total deferred inflows of resources	<u>153,836</u>	<u>206,158</u>
Fund balances		
Nonspendable		
Prepaid items	67,220	53,931
Committed		
Local option sales tax	580,018	470,147
General government	3,480,000	3,480,000
Health and welfare	760,000	760,000
Unassigned	15,014,567	10,383,364
Total fund balances	<u>19,901,805</u>	<u>15,147,442</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,448,903</u>	<u>\$ 16,725,867</u>

Fairfield County, South Carolina**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance - General Fund**
For the years ended June 30, 2016 and 2015

	2016	2015
Revenues		
Taxes	\$ 24,098,796	\$ 23,843,290
Sales tax	2,378,039	2,121,860
Intergovernmental	1,499,757	1,490,348
Licenses, permits, fines and fees	761,293	757,285
Charges for services	1,485,063	1,748,951
Investment income	25,870	9,083
Other	202,268	148,162
Total revenues	30,451,086	30,118,979
Expenditures		
General government	8,378,928	8,067,353
Public safety	6,115,252	5,238,705
Public works and utilities	1,395,394	1,387,963
Health and welfare	7,635,720	7,501,851
Judicial	1,081,363	1,046,707
Cultural and recreation	1,290,091	1,305,598
Total expenditures	25,896,748	24,548,177
Excess revenues over expenditures	4,554,338	5,570,802
Other financing sources (uses)		
Proceeds from sale of capital assets	-	1,000
Transfers in	668,670	52,433
Transfers out	(2,420,195)	(2,216,634)
Total other financing uses	(1,751,525)	(2,163,201)
Net change in fund balances	2,802,813	3,407,601
Fund balance, beginning of year	15,147,442	10,659,020
Add: Fireboard fund balance, beginning of year (See Note 17)	1,951,550	-
Add: EMS fund balance, beginning of year	-	1,080,821
Fund balance, beginning of year, adjusted	17,098,992	11,739,841
Fund balance, end of year	\$ 19,901,805	\$ 15,147,442

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Special Revenue Funds****June 30, 2016**

	Tourism Promotion	Tourism Related	Transit System	Sheriff Seizure	Railroad Track Maintenance	Clerk of Court Incentive
Assets						
Cash and cash equivalents	\$ 45,621	\$ 95,444	\$ 32,803	\$ 2,760	\$ 36,715	\$ 114,949
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-
Due from other governments	-	-	54,891	-	-	488
Prepaid items	-	-	3,048	-	-	-
Total assets	<u>\$ 45,621</u>	<u>\$ 95,444</u>	<u>\$ 90,742</u>	<u>\$ 2,760</u>	<u>\$ 36,715</u>	<u>\$ 115,437</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 16,204	\$ -	\$ -	\$ -
Accrued liabilities	-	-	20,907	-	-	-
Due to other funds	-	-	30,913	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>68,024</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable - prepaid items	-	-	3,048	-	-	-
Restricted						
General government	-	-	-	-	-	-
Public safety	-	-	-	2,760	-	-
Health and welfare	-	-	19,670	-	-	-
Judicial	-	-	-	-	-	115,437
Cultural and recreation	45,621	95,444	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	36,715	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>45,621</u>	<u>95,444</u>	<u>22,718</u>	<u>2,760</u>	<u>36,715</u>	<u>115,437</u>
Total liabilities and fund balances	<u>\$ 45,621</u>	<u>\$ 95,444</u>	<u>\$ 90,742</u>	<u>\$ 2,760</u>	<u>\$ 36,715</u>	<u>\$ 115,437</u>

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Special Revenue Funds****June 30, 2016**

	Clerk of Court IV-D	Victim's Assistance	Airport	911 Tariff	County Donations	Workforce Investment Act
Assets						
Cash and cash equivalents	\$ -	\$ 72,822	\$ -	\$ 894,223	\$ 15,197	\$ -
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	-	-	-	597	-	-
Due from other governments	19,662	-	246,703	-	-	28,518
Prepaid items	-	-	-	11,696	-	-
Total assets	<u>\$ 19,662</u>	<u>\$ 72,822</u>	<u>\$ 246,703</u>	<u>\$ 906,516</u>	<u>\$ 15,197</u>	<u>\$ 28,518</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 958	\$ 191	\$ 26,369	\$ 487	\$ 1,469	\$ 833
Accrued liabilities	1,281	2,202	-	-	-	5,287
Due to other funds	17,423	-	151,726	-	-	22,398
Total liabilities	<u>19,662</u>	<u>2,393</u>	<u>178,095</u>	<u>487</u>	<u>1,469</u>	<u>28,518</u>
Fund balances						
Nonspendable - prepaid items	-	-	-	11,696	-	-
Restricted						
General government	-	-	68,608	-	175	-
Public safety	-	70,429	-	-	512	-
Health and welfare	-	-	-	894,333	7,184	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	5,857	-
Committed						
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>70,429</u>	<u>68,608</u>	<u>906,029</u>	<u>13,728</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 19,662</u>	<u>\$ 72,822</u>	<u>\$ 246,703</u>	<u>\$ 906,516</u>	<u>\$ 15,197</u>	<u>\$ 28,518</u>

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Special Revenue Funds****June 30, 2016**

	Justice Assistance Grant	Sheriff Drug Fund	Sheriff Child Support	Sheriff Judgments/ Executions	Sheriff Law Enforcement	Sex Offender
Assets						
Cash and cash equivalents	\$ 10,479	\$ 22,929	\$ 8,479	\$ 6,708	\$ 19,206	\$ 2,800
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-
Due from other governments	-	-	1,122	-	-	-
Prepaid items	-	-	-	-	-	-
Total assets	<u>\$ 10,479</u>	<u>\$ 22,929</u>	<u>\$ 9,601</u>	<u>\$ 6,708</u>	<u>\$ 19,206</u>	<u>\$ 2,800</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	163	-	-	-
Due to other funds	10,479	-	-	-	-	-
Total liabilities	<u>10,479</u>	<u>-</u>	<u>163</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable - prepaid items	-	-	-	-	-	-
Restricted						
General government	-	-	-	-	-	-
Public safety	-	22,929	9,438	6,708	19,206	2,800
Health and welfare	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>22,929</u>	<u>9,438</u>	<u>6,708</u>	<u>19,206</u>	<u>2,800</u>
Total liabilities and fund balances	<u>\$ 10,479</u>	<u>\$ 22,929</u>	<u>\$ 9,601</u>	<u>\$ 6,708</u>	<u>\$ 19,206</u>	<u>\$ 2,800</u>

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Special Revenue Funds****June 30, 2016**

	Crime Prevention	Element Access Road	Grant Subfunds	Total Nonmajor Special Revenue Funds
Assets				
Cash and cash equivalents	\$ -	\$ 61,500	\$ 82,847	\$ 1,525,482
Taxes receivable, net	-	-	-	-
Accounts receivable, net	-	-	-	597
Due from other governments	-	-	46,770	398,154
Prepaid items	-	-	-	14,744
Total assets	\$ -	\$ 61,500	\$ 129,617	\$ 1,938,977
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 70,331	\$ 116,842
Accrued liabilities	-	-	-	29,840
Due to other funds	-	-	56,260	289,199
Total liabilities	-	-	126,591	435,881
Fund balances				
Nonspendable - prepaid items	-	-	-	14,744
Restricted				
General government	-	-	-	68,783
Public safety	-	-	3,026	137,808
Health and welfare	-	-	-	921,187
Judicial	-	-	-	115,437
Cultural and recreation	-	-	-	146,922
Committed				
Cultural and recreation	-	-	-	36,715
Capital outlay	-	61,500	-	61,500
Unassigned	-	-	-	-
Total fund balance	-	61,500	3,026	1,503,096
Total liabilities and fund balances	\$ -	\$ 61,500	\$ 129,617	\$ 1,938,977

Fairfield County, South Carolina

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

For the fiscal year ended June 30, 2016

	Tourism Promotion	Tourism Related	Transit System	Sheriff Seizure	Railroad Track Maintenance	Clerk of Court Incentive
Revenues						
Taxes	\$ 43,027	\$ 93,225	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	225,581	-	-	23,437
Licenses, permits, fines and fees	-	-	-	-	-	-
Charges for services	-	-	442,408	-	-	-
Investment income	-	-	-	4	-	-
Other	-	-	4,822	-	-	-
Total revenues	43,027	93,225	672,811	4	-	23,437
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	8,356	-	-
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	933,396	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	44,660	75,003	-	-	47,218	-
Capital outlay	-	-	-	-	-	-
Total expenditures	44,660	75,003	933,396	8,356	47,218	-
Excess (deficiency) of revenues over (under) expenditures	(1,633)	18,222	(260,585)	(8,352)	(47,218)	23,437
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	246,893	-	15,000	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	246,893	-	15,000	-
Net change in fund balance	(1,633)	18,222	(13,692)	(8,352)	(32,218)	23,437
Fund balances, beginning of year	47,254	77,222	36,410	11,112	68,933	92,000
Fund balances, end of year	\$ 45,621	\$ 95,444	\$ 22,718	\$ 2,760	\$ 36,715	\$ 115,437

Fairfield County, South Carolina**Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds****For the fiscal year ended June 30, 2016**

	Clerk of Court IV-D	Victim Assistance	Airport	911 Tariff	County Donations	Workforce Investment Act
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	79,724	-	982,984	252,236	-	129,846
Licenses, permits, fines and fees	-	42,898	-	168,337	-	-
Charges for services	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Other	1,072	2,060	-	-	6,900	34
Total revenues	80,796	44,958	982,984	420,573	6,900	129,880
Expenditures						
General government	-	-	1,021,758	-	711	167,970
Public safety	-	71,968	-	-	5,805	-
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	164,835	-	-
Judicial	65,489	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	193,474	-	-
Total expenditures	65,489	71,968	1,021,758	358,309	6,516	167,970
Excess (deficiency) of revenues over (under) expenditures	15,307	(27,010)	(38,774)	62,264	384	(38,090)
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	38,090
Transfers out	(15,307)	-	-	-	-	-
Total other financing sources (uses)	(15,307)	-	-	-	-	38,090
Net change in fund balance	-	(27,010)	(38,774)	62,264	384	-
Fund balances, beginning of year	-	97,439	107,382	843,765	13,344	-
Fund balances, end of year	\$ -	\$ 70,429	\$ 68,608	\$ 906,029	\$ 13,728	\$ -

Fairfield County, South Carolina

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

For the fiscal year ended June 30, 2016

	Justice Assistance Grant	Sheriff Drug Fund	Sheriff Child Support	Sheriff Judgments/ Executions	Sheriff Law Enforcement	Sex Offender
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	4,967	-	-	-
Licenses, permits, fines and fees	-	-	-	-	-	1,200
Charges for services	-	-	-	-	-	-
Investment income	-	-	-	-	-	-
Other	-	20,371	-	-	4,871	-
Total revenues	-	20,371	4,967	-	4,871	1,200
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	6,865	29,528	-	2,699	400
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	-	6,865	29,528	-	2,699	400
Excess (deficiency) of revenues over (under) expenditures	-	13,506	(24,561)	-	2,172	800
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	24,561	-	32	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	24,561	-	32	-
Net change in fund balance	-	13,506	-	-	2,204	800
Fund balances, beginning of year	-	9,423	9,438	6,708	17,002	2,000
Fund balances, end of year	\$ -	\$ 22,929	\$ 9,438	\$ 6,708	\$ 19,206	\$ 2,800

Fairfield County, South Carolina

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

For the fiscal year ended June 30, 2016

	Crime Prevention	Element Access Road	Grant Subfunds	Total Nonmajor Special Revenue Funds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 136,252
Intergovernmental	-	-	447,155	2,145,930
Licenses, permits, fines and fees	-	-	-	212,435
Charges for services	-	-	-	442,408
Investment income	-	-	-	4
Other	-	-	8,000	48,130
Total revenues	-	-	455,155	2,985,159
Expenditures				
General government	-	-	30,610	1,221,049
Public safety	29	-	99,129	224,779
Public works and utilities	-	-	248,000	248,000
Health and welfare	-	-	67,140	1,165,371
Judicial	-	-	-	65,489
Cultural and recreation	-	-	-	166,881
Capital outlay	-	4,500	30,532	228,506
Total expenditures	29	4,500	475,411	3,320,075
Excess (deficiency) of revenues over (under) expenditures	(29)	(4,500)	(20,256)	(334,916)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	2,971	327,547
Transfers out	(32)	-	-	(15,339)
Total other financing sources (uses)	(32)	-	2,971	312,208
Net change in fund balance	(61)	(4,500)	(17,285)	(22,708)
Fund balances, beginning of year	61	66,000	20,311	1,525,804
Fund balances, end of year	\$ -	\$ 61,500	\$ 3,026	\$ 1,503,096

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Capital Project Funds****June 30, 2016**

	Capital Improvement Projects	Capital Improvements FY2010 GO Bonds	Water and Sewer Program	Solid Waste & Recycling Capital Fund
Assets				
Cash and cash equivalents	\$ 1,425,800	\$ -	\$ 1,125,068	\$ 124,404
Accounts receivable, net	2,694	-	-	-
Due from other funds	200,000	-	-	-
Due from other governments	-	-	-	-
Land and building held for sale	-	-	-	-
Total assets	<u>\$ 1,628,494</u>	<u>\$ -</u>	<u>\$ 1,125,068</u>	<u>\$ 124,404</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 90,979	\$ -	\$ 195	\$ -
Retainage payable	-	-	-	-
Due to other funds	158,199	-	-	-
Due to other agencies	-	-	-	-
Total liabilities	<u>249,178</u>	<u>-</u>	<u>195</u>	<u>-</u>
Fund balances				
Committed				
Public works and utilities	-	-	1,124,873	124,404
Capital outlay	1,379,316	-	-	-
Total fund balances	<u>1,379,316</u>	<u>-</u>	<u>1,124,873</u>	<u>124,404</u>
Total liabilities and fund balances	<u>\$ 1,628,494</u>	<u>\$ -</u>	<u>\$ 1,125,068</u>	<u>\$ 124,404</u>

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Capital Project Funds****June 30, 2016**

	Vehicle Replacement Program	WB Industrial Park Fund	Economic Development Fund	Total Nonmajor Capital Project Funds
Assets				
Cash and cash equivalents	\$ -	\$ 27,480	\$ 1,137,836	\$ 3,840,588
Accounts receivable, net	6,741	-	-	9,435
Due from other funds	-	-	-	200,000
Due from other governments	25,863	-	-	25,863
Land and building held for sale	-	1,144,000	-	1,144,000
Total assets	<u>\$ 32,604</u>	<u>\$ 1,171,480</u>	<u>\$ 1,137,836</u>	<u>\$ 5,219,886</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 332	\$ -	\$ 91,506
Retainage payable	-	-	-	-
Due to other funds	23,334	943,748	-	1,125,281
Due to other agencies	-	200,000	-	200,000
Total liabilities	<u>23,334</u>	<u>1,144,080</u>	<u>-</u>	<u>1,416,787</u>
Fund balances				
Committed				
Public works and utilities	-	-	-	1,249,277
Capital outlay	9,270	27,400	1,137,836	2,553,822
Total fund balances	<u>9,270</u>	<u>27,400</u>	<u>1,137,836</u>	<u>3,803,099</u>
Total liabilities and fund balances	<u>\$ 32,604</u>	<u>\$ 1,171,480</u>	<u>\$ 1,137,836</u>	<u>\$ 5,219,886</u>

Fairfield County, South Carolina**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds**
For the year ended June 30, 2016

	Capital Improvement Projects	Capital Improvements FY2010 GO Bonds	Water and Sewer Program	Solid Waste & Recycling Capital Fund
Revenues				
Other	\$ 247,826	\$ -	\$ -	\$ -
Total revenues	247,826	-	-	-
Expenditures				
General government	214,970	-	-	55,950
Public works and utilities	-	-	50,270	-
Capital outlay	1,647,527	-	-	148,820
Total expenditures	1,862,497	-	50,270	204,770
Excess (deficiency) of revenues over (under) expenditures	(1,614,671)	-	(50,270)	(204,770)
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	1,250,950	-	-	202,500
Transfers out	-	(653,364)	-	-
Total other financing sources (uses)	1,250,950	(653,364)	-	202,500
Net change in fund balances	(363,721)	(653,364)	(50,270)	(2,270)
Fund balances, beginning of year	1,743,037	653,364	1,175,143	126,674
Fund balances, end of year	\$ 1,379,316	\$ -	\$ 1,124,873	\$ 124,404

Fairfield County, South Carolina**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds**
For the year ended June 30, 2016

	Vehicle Replacement Program	WB Industrial Park Fund	Economic Development Fund	Total Nonmajor Capital Project Funds
Revenues				
Other	\$ 54,674	\$ -	\$ 231	\$ 302,731
Total revenues	54,674	-	231	302,731
Expenditures				
General government	48,558	7,764	-	327,242
Public works and utilities	-	-	-	50,270
Capital outlay	1,223,068	-	-	3,019,415
Total expenditures	1,271,626	7,764	-	3,396,927
Excess (deficiency) of revenues over (under) expenditures	(1,216,952)	(7,764)	231	(3,094,196)
Other financing sources (uses)				
Proceeds from sale of capital assets	25,863	-	-	25,863
Transfers in	604,066	35,164	-	2,092,680
Transfers out	-	-	-	(653,364)
Total other financing sources (uses)	629,929	35,164	-	1,465,179
Net change in fund balances	(587,023)	27,400	231	(1,629,017)
Fund balances, beginning of year	596,293	-	1,137,605	5,432,116
Fund balances, end of year	\$ 9,270	\$ 27,400	\$ 1,137,836	\$ 3,803,099

Fairfield County, South Carolina**Schedule of Budget to Actual Costs - South Carolina Department of Transportation Contracts****For the fiscal year ended June 30, 2016**

	Federal	State	Total	Budget	Variance with Budget
<u>PT-64711-44</u>					
Administration					
Personnel	\$ 17,178	\$ 4,295	\$ 21,473	\$ 99,724	\$ 78,251
Fringe benefits	4,930	1,233	6,163	29,521	23,358
Utilities	962	241	1,203	1,600	397
Total administration	23,070	5,769	28,839	130,845	102,006
Operations					
Personnel	16,155	16,153	32,308	100,454	68,146
Fringe benefits	5,518	5,517	11,035	32,294	21,259
Fuel and lubricants	2,727	2,726	5,453	30,000	24,547
Tires and tubes	914	913	1,827	2,000	173
Miscellaneous expenses					
Uniforms/clothing	480	479	959	1,500	541
Telephone/cell phone	279	277	556	1,273	717
Casualty and liability	-	-	-	8,000	8,000
Total operations	26,073	26,065	52,138	175,521	123,383
Capital					
Preventive maintenance					
Salaries and fringe benefits	-	9,445	9,445	73,444	63,999
Total capital	-	9,445	9,445	73,444	63,999
Total contract - PT-64711-44	\$ 49,143	\$ 41,279	\$ 90,422	\$ 379,810	\$ 289,388
<u>PT-54711-26</u>					
Capital					
ADP hardware					
Vehicle camera system	\$ 10,346	\$ 2,587	\$ 12,933	\$ 18,000	\$ 5,067
Total capital	10,346	2,587	12,933	18,000	5,067
Total contract - PT-54711-26	\$ 10,346	\$ 2,587	\$ 12,933	\$ 18,000	\$ 5,067
<u>PT-54739-93</u>					
Capital					
Bus < 30 ft.	\$ 102,836	\$ 18,148	\$ 120,984	\$ 130,000	\$ 9,016
Total capital	102,836	18,148	120,984	130,000	9,016
Total contract - PT-54739-93	\$ 102,836	\$ 18,148	\$ 120,984	\$ 130,000	\$ 9,016
<u>RTAP-16R047-01</u>					
Administration					
Travel					
Registration	\$ 465	\$ -	\$ 465	\$ 465	\$ -
Lodging and meals	779	-	779	779	-
Total administration	1,244	-	1,244	1,244	-
Total contract - RTAP-16R047-01	\$ 1,244	\$ -	\$ 1,244	\$ 1,244	\$ -

Fairfield County, South Carolina***Schedule of Court Fines, Surcharges and Assessment Activity - Victim's Assistance Fund******For the fiscal year ended June 30, 2016******Court fines***

Collected	\$ 32,631
Retained by County	34,284
	<u>\$ (1,653)</u>

Court assessments

Collected	\$ 15,179
Retained by County	1,674
	<u>\$ 13,505</u>

Court surcharges

Collected	\$ 110,456
Retained by County	5,898
	<u>\$ 104,558</u>

Victim's assistance

Court assessments	\$ 35,366
Court surcharges	7,532
Other	2,060
	<u>44,958</u>
Allocated to Victim's Assistance	71,968
Victim's Assistance expenditures	<u>(27,010)</u>

Fund balance, beginning of year***Fund balance, end of year***

	<u>97,439</u>
	<u>\$ 70,429</u>

Fairfield County, South Carolina***Computation of Legal Debt Margin******June 30, 2016***

Assessed value (1)		\$ 144,302,651
		<u> </u>
Debt limit - 8% of assessed value (2)		\$ 11,544,212
Amount of debt applicable to debt limit (3):		
Total general obligation bonds	\$ 5,051,933	
Less: Debt service funds available	<u>899,719</u>	
Total debt applicable to debt limit		<u>4,152,214</u>
Legal debt margin		<u>\$ 7,391,998</u>

NOTES:

- (1) The assessed valuation shown is the assessed value at December 31, 2014 used for 2015 property tax computations.
- (2) The legal debt limit is controlled by Article X, Section 14 of the Constitution of the State of South Carolina.
- (3) The legal debt limit governed by Article X of the Constitution of the State of South Carolina provides that each county, township, school district, municipality or subdivision may issue bonded indebtedness up to eight percent of the assessed value of all corporation or political division property therein. The debt limit of eight percent can be exceeded only after a referendum of the voters is affected.

Single Audit Section

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

Fairfield County Council
Fairfield County
Winnsboro, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fairfield County, South Carolina (the "County") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 23, 2017. The financial statements of the Fairfield County Library Commission and Fairfield County Council on Aging were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as items 2016-001 and 2016-002, which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's Response to Findings

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

Purpose of this Report

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

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

Columbia, South Carolina
January 23, 2017

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

Fairfield County Council
Fairfield County
Winnsboro, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Fairfield County's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Columbia, South Carolina
January 23, 2017

Fairfield County, South Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2016

I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

- | | | | | | | |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------------|--------|-----------------------------|--|
| (a.) | Internal control over major federal programs: | | | | | |
| 1) | Material weaknesses identified? | No | | | | |
| 2) | Significant deficiencies identified? | None reported | | | | |
| (b.) | Type of auditor's report issued on compliance for major federal programs? | Unmodified | | | | |
| (c.) | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? | No | | | | |
| (d.) | Identification of major programs: | | | | | |
| | <table border="0"><tr><td><u>CFDA Number</u></td><td><u>Name of Federal Program</u></td></tr><tr><td>20.106</td><td>Airport Improvement Program</td></tr></table> | <u>CFDA Number</u> | <u>Name of Federal Program</u> | 20.106 | Airport Improvement Program | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> | | | | | |
| 20.106 | Airport Improvement Program | | | | | |
| (e.) | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| (f.) | Auditee qualified as low risk auditee? | No | | | | |

II. Financial Statement Findings

Item 2016-001: Information Technology (IT)

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

- Formal policies - The County does have a written IT security policy in place that documents the County's access and security-related standards.
- Password settings - The County allows unlimited server login attempts without system lockout.
- User IDs - The County allows New World "administrators" to log into the system for normal daily activities and may use a shared account. The County's IT personnel have full access to the accounting system.
- VPN accounts - VPN accounts were active for 2 terminated employees and 1 employee who did not meet the County's access criteria.
- Data retention - The County has not been actively monitoring data replication to ensure that it completes successfully. Replication failures are not configured to trigger alerts to management. The replication site is only 2 miles from the primary data center, which may limit its availability during an area-wide disaster.

Criteria: The County should develop policies and actively monitor its IT systems to ensure they remain secure.

Cause: The County had not conducted a detailed review of its IT security and did not have certain security policies in place.

Effect: The County's IT systems may be vulnerable to internal and external cyber security issues.

Context: We noted the above conditions during our IT risk assessment for the County.

Recommendation: We have the following recommendations for the conditions noted above:

- Formal policies - Management should publish an information security policy that establishes standards for logical access control (password parameters, user provisioning, physical security, change management and IT governance and operational activities). These standards should be followed when configuring and managing the County's IT systems, including processes followed when employees are hired, transferred or terminated. Standards established in the policy should be implemented in a manner that leaves an auditable history of the activities associated with new hire access requests, status changes and employment termination. Written or electronic checklists are recommended. The new process should be aligned with the new guidance provided per the South Carolina Department of Information Services.
- Password settings - We recommend that password settings used throughout the organization meet best practice standards, including, allowing only 5 unsuccessful log on attempts before user lockout and setting a lockout duration of at least 15 minutes.
- User IDs - We recommend that named administrative accounts be configured in Active Directory, and that those accounts be used to access the County's servers. Logging should be enabled for these accounts so that activities conducted through the accounts is recorded. Logs should be retained, backed up, and reviewed periodically. To ensure the ongoing integrity of financial information, IT personnel's need to access the accounting system should be assessed to determine the level of access that is necessary given the functions it is necessary for them to perform.

Fairfield County, South Carolina

Schedule of Findings and Questioned Costs

For the year ended June 30, 2016

II. Financial Statement Findings (Continued)

Item 2016-001: Information Technology (IT), Continued

- VPN accounts - VPN user accounts should be configured in a way that can be associated with the actual user. The County should periodically review VPN access to ensure that only authorized individuals have VPN access, and that terminated user access has been removed.
- Data retention - The County should investigate options to configure data replication to alert IT personnel in the event issues arise during the replication process. To mitigate the risk of an area-wide disaster that would impact both data sites, we encourage management to continue to perform disk-to-disk backups, storing these in a safe location for emergency retrieval.

Views of Responsible Officials and Planned Corrective Actions: The County provided the following responses to our findings described above:

- Formal policies - An information security policy is in the design phase this year. We are looking at the State and what other counties are including in their design and deciding what would work for Fairfield County. Configuring and managing new hires, transfers or terminations is a joint control between HR, Finance, and IT and has been a work in progress for two years that we hope to resolve.
- Password settings - Password settings are in place for the Finance server and the application, however the user's PC is still a work in progress and we are looking for a solution that will help in security without an enormous amount of maintenance to control.
- User IDs - Based on the current configuration and maintenance of the system, IT needs access to the financial system. Only the Director and Database Manager have access. However, IT will meet with the Virtual Machine consultants to discuss the logging system and system access.
- VPN accounts - When the first recommendation above is complete, this issue should be resolved.
- Data retention - The vendor has returned and trained the staff on Virtual Machine replication and has since also changed some of the software for data retention and its alerting features. This recommendation has been implemented.

Item 2016-002: Treasurer's Office - Timely Review of Bank Reconciliations (repeated and updated finding from prior year)

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

Criteria: The Treasurer's Office is responsible for the timely preparation and review of certain bank accounts held by the County.

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

Effect: The Treasurer's Office increases its risk of not identifying potential fraud or material errors in a timely manner.

Context: We noted the above condition during testing of the Treasurer's Office's internal controls over bank reconciliations.

Fairfield County, South Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2016

II. Financial Statement Findings (Continued)

Item 2016-002: Treasurer's Office - Timely Review of Bank Reconciliations (repeated and updated finding from prior year), Continued

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

Views of Responsible Officials and Planned Corrective Actions: Moving forward, the Treasurer's Office will implement policies and procedures to timely receive and review all bank reconciliations. Any discrepancies or variances will be investigated in a timely manner to facilitate the reconciliation process. After reviewing the reconciliations, the proper Treasurer's Office personnel will approve the reconciliation to verify completeness and accuracy.

III. Federal Award Findings and Questioned Costs

None reported.

Fairfield County, South Carolina***Schedule of Expenditures of Federal Awards******For the fiscal year ended June 30, 2016***

Federal Grant/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Federal Grantor's/ Pass-Through Grantor's Number	Federal Expenditures
<i>Workforce Investment Act - Cluster</i>			
<u>U.S. Department of Labor</u>			
Passed through South Carolina Department of Employment Workforce			
Workforce Investment Act - Adult Program	17.258	15A294F1	\$ 81,403
Workforce Investment Act - Dislocated Workers	17.278	15D294F1	48,443
Total Workforce Investment Act - Cluster			<u>129,846</u>
<i>Other Programs</i>			
<u>U.S. Department of Transportation</u>			
Passed through the South Carolina Department of Transportation, Office of Public Transit			
Formula Grants for Rural Areas			
Section 5311 - Formula Grant	20.509	PT-54711-26	10,346
Section 5311 - Formula Grant	20.509	PT-54739-93	102,836
Section 5339 - Formula Grant	20.509	PT-64711-44	49,143
Rural Transit Assistance Program (RTAP)	20.509	RTAP-16R047-01	1,244
			<u>163,569</u>
Passed through the South Carolina Department of Commerce/Division of Aeronautics			
Airport Improvement Program			
Airport Layout Plan Update	20.106	3-45-0058-014-2015	94,810
Runway Safety Area Development Construction	20.106	3-45-0058-013-2014	824,840
			<u>919,650</u>
Total U.S. Department of Transportation			<u>1,083,219</u>
<u>U.S. Department of Agriculture</u>			
Direct assistance			
Rural Development, Forestry and Communities	10.672		20,002
Total U.S. Department of Agriculture			<u>20,002</u>
<u>U.S. Department of Homeland Security</u>			
Passed through South Carolina Adjutant General's Office			
Emergency Management Performance Grant	97.042	15EMPG01	45,263
Total U.S. Department of Homeland Security			<u>45,263</u>
<u>U.S. Department of Health And Human Services</u>			
Passed through South Carolina Department of Social Services			
Child Support Enforcement Title IV-D Incentives	93.563	C16020C	84,691
Total U.S. Department of Health and Human Services			<u>84,691</u>
Total federal assistance expended (accrual basis of accounting)			<u>\$ 1,363,021</u>

Note - Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal grant activity of Fairfield County, South Carolina (the "County") under programs of the federal government for the year ended June 30, 2016. The information presented in this schedule is presented on the accrual basis of accounting in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended and does not present the financial position or changes in net position or cash flows of the County.