

Fairfield County, South Carolina

Report on Financial Statements

For the year ended June 30, 2017

Fairfield County, South Carolina

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Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fairfield County, South Carolina (the "County") as of and for the year ended June 30, 2017, 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, 2017, 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 March 29, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Columbia, South Carolina
March 29, 2018

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2017

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, 2017. 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, 2017

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, 2017 by \$39.4 million (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 \$6.2 million.
- **General fund** - The principal operating fund of the County is the general fund. During fiscal year 2017, general fund revenues and other financing sources, which primarily consisted of property taxes and sales taxes were \$30.3 million. Expenditures and net transfers out of the general fund were \$28.3 million. This resulted in an increase in the fund balance for the year of \$2.0 million.
- **General fund budget** - The general fund actual revenues were greater than the final budgeted amounts by \$1.6 million due primarily to greater than expected collections of sales taxes and intergovernmental revenues. General fund actual expenditures were less than the final budgeted amounts by \$355,000. This variance is primarily due to department directors making frugal decisions in regards to purchases and employee staffing.

Overview of the Financial Statements

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

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

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

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

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2017

Overview of the Financial Statements, continued

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

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

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 to 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 \$39.4 million as of June 30, 2017.

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, 2017

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, 2017 and 2016.

(Dollars in thousands)	2017	2016	Percentage Change
Current and other assets	\$ 42,804	\$ 46,890	(8.7)%
Capital assets, net	51,625	40,950	26.1%
Total assets	94,429	87,840	7.5%
Deferred outflows of resources	3,865	1,849	109.0%
Current liabilities	3,263	3,505	(6.9)%
Long-term liabilities	54,946	52,280	5.1%
Total liabilities	58,209	55,785	4.3%
Deferred inflows of resources	689	672	2.5%
Net position			
Net investment in capital assets	32,776	28,779	13.9%
Restricted	4,286	2,290	87.2%
Unrestricted	2,334	2,163	7.9%
Total net position	\$ 39,396	\$ 33,232	18.5%

Change in net position - The County's total revenues for the fiscal year ended June 30, 2017 were \$41.3 million. The total cost of all programs and services was \$35.2 million. The section below presents a summary of the activity that resulted in changes in net position for the fiscal years ended June 30, 2017 and 2016.

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

- **Property and accommodations taxes** - During fiscal year 2017, business personal property taxes decreased by approximately \$1,220,000. The primary reason for the decrease is related to the construction at the nuclear plant. Prior to the nuclear plant project's shutdown, there were many companies who worked in the County for a limited amount of time, until their part of the job was complete.
- **Operating grants and contributions** - The County has an ongoing federal grant for runway safety at its airport. During fiscal year 2016, there were extensive repairs and maintenance performed under the grant, however no significant work was performed in fiscal year 2017. Funding for this grant is provided on a reimbursement basis which may cause fluctuation depending on costs incurred during the year.
- **Capital grants and contributions** - The County received \$3 million from the State during fiscal year 2017 as a contribution toward a major business park project that is being developed by the County's economic development department.

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2017

Financial Analysis of the County as a Whole, continued

(Dollars in thousands)

	2017	2016	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 3,386	\$ 3,006	12.6%
Operating grants and contributions	1,325	2,146	(38.3)%
Capital grants and contributions	4,485	1,845	143.1%
General revenues			
Property and accommodations taxes	25,092	25,589	(1.9)%
Sales taxes	2,191	2,378	(7.9)%
Investment income	52	31	67.7%
Intergovernmental	1,711	1,500	14.1%
Gain (loss) on sale of capital assets	31	(4)	(875.0)%
Other	3,058	553	453.0%
Total revenues	<u>41,331</u>	<u>37,044</u>	11.6%
Expenses			
General government	11,311	11,703	(3.3)%
Public safety	7,301	6,761	8.0%
Public works and utilities	3,234	3,794	(14.8)%
Health and welfare	9,321	9,175	1.6%
Judicial	1,175	1,156	1.6%
Cultural and recreation	1,622	1,525	6.4%
Interest and fiscal charges	1,203	1,200	0.3%
Total expenses	<u>35,167</u>	<u>35,314</u>	(0.4)%
Increase in net position	<u>\$ 6,164</u>	<u>\$ 1,730</u>	256.3%

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

(Dollars in thousands)	Total Expenses	Net Expense
General government	\$ 11,311	\$ (7,399)
Public safety	7,301	(7,235)
Public works and utilities	3,234	(1,170)
Health and welfare	9,321	(6,919)
Judicial	1,175	(519)
Cultural and recreation	1,622	(1,526)
Interest and fiscal charges	1,203	(1,203)
Total expenses	<u>\$ 35,167</u>	<u>\$ (25,971)</u>

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2017

Financial Analysis of the County as a Whole, continued

The cost of all governmental activities this year was \$35.2 million. Expenses consist primarily of general government, public safety, and health and welfare totaling \$11.3 million, \$7.3 million and \$9.3 million, respectively. The net cost of governmental activities was \$26.0 million which was financed by general revenues and beginning net position. General revenues consist primarily of property and accommodations taxes of \$25.1 million.

Financial Analysis of the County's Funds

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

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$39.8 million. Of this combined fund balance, \$17.3 million or 43.5% 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 \$2.0 million which was mainly the result of revenues exceeding expenditures.

Capital Assets and Debt Administration

Capital Assets - As of June 30, 2017, the County had invested, net of related debt, \$32.8 million in capital assets, including land, land improvements, buildings and improvements, leasehold improvements, infrastructure, machinery and equipment and software. Total depreciation expense for the year was approximately \$2.7 million.

The schedule below presents capital asset balances, net of depreciation, for the fiscal year ended June 30, 2017.

Capital assets, not being depreciated	
Land	\$ 9,456,300
Construction in progress	<u>5,836,174</u>
	<u>15,292,474</u>
Capital assets, being depreciated	
Land improvements	23,689,956
Buildings and improvements	28,022,562
Leasehold improvements	1,658,079
Infrastructure	6,208,460
Machinery and equipment	20,727,209
Software	<u>400,282</u>
	80,706,548
Less accumulated depreciation	<u>(44,374,003)</u>
Total capital assets, being depreciated, net	<u>36,332,545</u>
Net capital assets	<u>\$ 51,625,019</u>

Debt Administration - At year end, the County had \$29,103,904 in general obligation and revenue bonds, net of unamortized bond discounts, of which \$1,014,476 is due within one year.

Fairfield County, South Carolina

Management's Discussion and Analysis

For the year ended June 30, 2017

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 42% 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, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 36,877,558
Taxes receivable, net	449,638
Accounts receivable, net	1,282,736
Due from other governments	2,808,559
Prepaid items	241,773
Land and building held for sale	1,144,000
Capital assets, not being depreciated	15,292,474
Capital assets, being depreciated net	36,332,545
Total assets	94,429,283
Deferred outflows of resources	
Deferred outflows related to net pension liability	3,864,538
Total deferred outflows of resources	3,864,538
Liabilities	
Accounts payable	1,538,855
Retainage payable	276,676
Accrued liabilities	554,427
Due to taxpayers	3,244
Due to other agencies	467,083
Due to component unit	47,364
Due to other governments	10,833
Accrued interest payable	364,327
Long-term liabilities	
Due within one year	1,086,510
Due in more than one year	28,780,019
Net pension liability	23,067,710
Net other post employment benefit obligation	2,011,743
Total liabilities	58,208,791
Deferred inflows of resources	
Deferred inflows related to net pension liability	688,991
Total deferred inflows of resources	688,991
Net Position	
Net investment in capital assets	32,776,081
Restricted for:	
General government programs	53,331
Public safety programs	115,830
Health and welfare programs	825,785
Judicial programs	132,465
Cultural and recreation programs	158,224
Debt service	1,045,296
Capital improvements	1,955,179
Unrestricted	2,333,848
Total net position	\$ 39,396,039

Fairfield County, South Carolina

Statement of Activities

For the fiscal year ended June 30, 2017

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	\$ 11,310,415	\$ 316,392	\$ 505,415	\$ 3,089,260	\$ (7,399,348)
Public safety	7,301,021	46,567	19,098	-	(7,235,356)
Public works and utilities	3,234,310	657,622	11,073	1,396,123	(1,169,492)
Health and welfare	9,321,342	1,703,752	698,663	-	(6,918,927)
Judicial	1,175,273	565,399	90,751	-	(519,123)
Cultural and recreation	1,621,660	96,115	-	-	(1,525,545)
Interest and fiscal charges	1,202,909	-	-	-	(1,202,909)
Total governmental activities	35,166,930	3,385,847	1,325,000	4,485,383	(25,970,700)
Total	\$ 35,166,930	\$ 3,385,847	\$ 1,325,000	\$ 4,485,383	
General revenues:					
Property taxes					24,913,337
Sales tax					2,191,098
Accommodations tax					178,289
Investment income					51,646
Intergovernmental					1,710,930
Gain on sale of capital assets					31,377
Other					3,057,677
Total general revenues					32,134,354
Change in net position					6,163,654
Net position, beginning of year					33,232,385
Net position, end of year					\$ 39,396,039

Fairfield County, South Carolina

Balance Sheet - Governmental Funds

June 30, 2017

	General Fund	Road Improvement Program	Fairfield Facilities Corporation	Economic Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 19,187,858	\$ 111,497	\$ 10,919,433	\$ 1,955,179	\$ 4,703,591	\$ 36,877,558
Taxes receivable, net	421,568	-	-	-	28,070	449,638
Accounts receivable, net	1,243,442	-	-	-	39,294	1,282,736
Due from other funds	1,967,928	-	-	-	-	1,967,928
Due from other governments	539,812	1,306,420	-	-	962,327	2,808,559
Prepaid items	37,571	-	187,905	-	16,297	241,773
Land and building held for sale	-	-	-	-	1,144,000	1,144,000
Total assets	<u>\$ 23,398,179</u>	<u>\$ 1,417,917</u>	<u>\$ 11,107,338</u>	<u>\$ 1,955,179</u>	<u>\$ 6,893,579</u>	<u>\$ 44,772,192</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ 450,541	\$ 440,009	\$ 418,971	\$ -	\$ 229,334	\$ 1,538,855
Retainage payable	-	31,180	245,496	-	-	276,676
Accrued liabilities	533,321	-	-	-	21,106	554,427
Due to other funds	-	631,307	-	-	1,336,621	1,967,928
Due to taxpayers	3,244	-	-	-	-	3,244
Due to other agencies	267,083	-	-	-	200,000	467,083
Due to component unit	47,364	-	-	-	-	47,364
Due to other governments	10,833	-	-	-	-	10,833
Total liabilities	<u>1,312,386</u>	<u>1,102,496</u>	<u>664,467</u>	<u>-</u>	<u>1,787,061</u>	<u>4,866,410</u>
Deferred inflows of resources						
Unavailable revenue - property taxes	<u>136,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,871</u>	<u>146,568</u>
Total deferred inflows of resources	<u>136,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,871</u>	<u>146,568</u>
Fund balances						
Nonspendable						
Prepaid items	37,571	-	187,905	-	16,297	241,773
Restricted						
General government	-	-	-	-	53,331	53,331
Public safety	-	-	-	-	115,830	115,830
Health and welfare	-	-	-	-	825,785	825,785
Judicial	-	-	-	-	132,465	132,465
Cultural and recreation	-	-	-	-	158,224	158,224
Debt service	-	-	-	-	1,045,296	1,045,296
Capital outlay	-	-	10,254,966	1,955,179	-	12,210,145
Committed						
Local option sales tax	365,968	-	-	-	-	365,968
General government	3,480,000	-	-	-	-	3,480,000
Public works and utilities	-	315,421	-	-	1,037,231	1,352,652
Health and welfare	760,000	-	-	-	-	760,000
Cultural and recreation	-	-	-	-	44,823	44,823
Capital outlay	-	-	-	-	1,668,057	1,668,057
Unassigned	<u>17,305,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(692)</u>	<u>17,304,865</u>
Total fund balances	<u>21,949,096</u>	<u>315,421</u>	<u>10,442,871</u>	<u>1,955,179</u>	<u>5,096,647</u>	<u>39,759,214</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,398,179</u>	<u>\$ 1,417,917</u>	<u>\$ 11,107,338</u>	<u>\$ 1,955,179</u>	<u>\$ 6,893,579</u>	<u>\$ 44,772,192</u>

Fairfield County, South Carolina**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017**

Total governmental fund balances	\$	39,759,214
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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	\$	95,999,022	
Accumulated depreciation		(44,374,003)	
			51,625,019

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.		146,568
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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	3,864,538	
Deferred inflows related to net pension liability	(688,991)	
Net pension liability	(23,067,710)	
Net other post employment benefit obligation	(2,011,743)	
Accrued compensated absences	(762,625)	
		(22,666,531)

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	(29,103,904)	
Accrued interest payable	(364,327)	
		(29,468,231)

Net position of governmental activities	\$	39,396,039
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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, 2017**

	General Fund	Road Improvement Program	Fairfield Facilities Corporation	Economic Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 23,563,652	\$ -	\$ -	\$ -	\$ 1,546,348	\$ 25,110,000
Sales tax	2,191,098	-	-	-	-	2,191,098
Intergovernmental	1,710,930	1,396,123	-	3,000,000	1,414,260	7,521,313
Licenses, permits, fines and fees	899,453	119,780	-	-	255,266	1,274,499
Charges for services	1,691,351	-	-	-	419,997	2,111,348
Investment income	32,046	-	19,600	-	-	51,646
Other	217,879	-	-	2,385,485	454,313	3,057,677
Total revenues	30,306,409	1,515,903	19,600	5,385,485	4,090,184	41,317,581
Expenditures						
General government	8,330,068	-	-	9,315	793,406	9,132,789
Public safety	6,698,407	-	-	-	120,338	6,818,745
Public works and utilities	1,348,996	1,493,708	-	-	222,866	3,065,570
Health and welfare	7,547,563	-	-	-	1,262,488	8,810,051
Judicial	1,068,297	-	-	-	73,723	1,142,020
Cultural and recreation	1,402,248	-	-	-	141,216	1,543,464
Capital outlay	-	-	4,954,717	6,358,827	2,149,887	13,463,431
Debt service						
Principal retirement	-	-	10,000	-	990,453	1,000,453
Interest and fiscal charges	-	-	895,620	-	288,405	1,184,025
Total expenditures	26,395,579	1,493,708	5,860,337	6,368,142	6,042,782	46,160,548
Excess (deficiency) of revenues over (under) expenditures	3,910,830	22,195	(5,840,737)	(982,657)	(1,952,598)	(4,842,967)
Other financing sources (uses)						
Proceeds from general obligation bonds	-	-	-	-	920,000	920,000
Proceeds from sale of capital assets	18,000	-	-	-	75,916	93,916
Transfers in	-	-	896,288	1,800,000	1,881,539	4,577,827
Transfers out	(1,881,539)	-	(1,800,000)	-	(896,288)	(4,577,827)
Total other financing sources (uses)	(1,863,539)	-	(903,712)	1,800,000	1,981,167	1,013,916
Net change in fund balances	2,047,291	22,195	(6,744,449)	817,343	28,569	(3,829,051)
Fund balances, beginning of year	19,901,805	293,226	17,187,320	1,137,836	5,068,078	43,588,265
Fund balances, end of year	\$ 21,949,096	\$ 315,421	\$ 10,442,871	\$ 1,955,179	\$ 5,096,647	\$ 39,759,214

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, 2017**

Total net change in fund balance - governmental funds \$ (3,829,051)

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	\$ 13,463,431	
Depreciation expense	<u>(2,726,504)</u>	
		10,736,927

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

Gain on sale of capital assets	31,377	
Proceeds from sale of capital assets	<u>(93,916)</u>	
		(62,539)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (18,374)

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	(477,749)	
Net other post employment benefit obligation	(159,077)	
Accrued compensated absences	<u>(88,052)</u>	
		(724,878)

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	(920,000)	
Bond repayments	1,000,453	
Amortization of bond discounts	(23,322)	
Accrued interest payable	<u>4,438</u>	
		<u>61,569</u>

Change in net position of governmental activities \$ 6,163,654

Fairfield County, South Carolina***Statement of Fiduciary Net Position******June 30, 2017*****Assets**

Cash and cash equivalents	\$	20,226,784
Taxes receivable, net		<u>609,167</u>
Total assets	\$	<u><u>20,835,951</u></u>

Liabilities

Accounts payable	\$	1,625
Amounts held for others		672,420
Due to other governments		<u>20,161,906</u>
Total liabilities	\$	<u><u>20,835,951</u></u>

Fairfield County**Governmental Discretely Presented Component Unit****Fairfield County Library Commission****Statement of Net Position****June 30, 2017**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 296,583
Accounts receivable	11,931
Investments	207
Prepaid items	10,022
Due from primary government	47,364
Capital assets, being depreciated net	610,276
Total assets	976,383
Deferred outflows of resources	
Deferred outflows related to net pension liability	90,546
Total deferred outflows of resources	90,546
Liabilities	
Accounts payable	2,410
Accrued liabilities	8,426
Long-term liabilities	
Accrued compensated absences - due within one year	6,223
Accrued compensated absences - due after one year	7,245
Net pension liability	590,600
Total liabilities	614,904
Deferred inflows of resources	
Deferred inflows related to net pension liability	30,141
Total deferred inflows of resources	30,141
Net Position	
Investment in capital assets	610,276
Restricted for:	
Nonexpendable	171,657
Capital outlay	8,805
Unrestricted	(368,854)
Total net position	\$ 421,884

Fairfield County*Governmental Discretely Presented Component Unit**Fairfield County Library Commission**Statement of Activities**For the fiscal year ended June 30, 2017*

	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	\$ 664,379	\$ 18,221	\$ 106,042	\$ (540,116)
General revenues:				
County appropriations				507,004
Investment income				4,747
Gifts and donations				6,690
Miscellaneous revenue				21,598
Loss on disposal of capital assets				(113)
Total general revenues				539,926
Change in net position				(190)
Net position, beginning of year				422,074
Net position, end of year				\$ 421,884

Fairfield County***Nongovernmental Discretely Presented Component Units******Statements of Financial Position******June 30, 2017***

	Fairfield Behavioral Health Services	Fairfield County Council on Aging	Total
Assets			
Cash	\$ 819,501	\$ 316,396	\$ 1,135,897
Receivables	39,003	67,037	106,040
Certificates of deposit	151,522	-	151,522
Prepaid expenses	1,653	2,465	4,118
Property and equipment, net	198,461	316,035	514,496
Total assets	<u>\$ 1,210,140</u>	<u>\$ 701,933</u>	<u>\$ 1,912,073</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 25,079	\$ 3,401	\$ 28,480
Retainage payable	6,003	-	6,003
Accrued compensated absences	23,897	1,795	25,692
Capital lease payable	-	5,905	5,905
Total liabilities	54,979	11,101	66,080
Net assets			
Unrestricted	530,868	690,832	1,221,700
Temporarily restricted	624,293	-	624,293
Total net assets	1,155,161	690,832	1,845,993
Total liabilities and net assets	<u>\$ 1,210,140</u>	<u>\$ 701,933</u>	<u>\$ 1,912,073</u>

Fairfield County**Nongovernmental Discretely Presented Component Units****Statements of Activities****For the fiscal year ended June 30, 2017**

	Fairfield Behavioral Health Services	Fairfield County Council on Aging	Total
Changes in unrestricted net assets:			
Revenues and other support			
Local	\$ -	\$ 351,456	\$ 351,456
County appropriations	52,288	93,411	145,699
State contracts	-	59,606	59,606
Client fees	110,160	-	110,160
Medicaid	19,962	-	19,962
Minibottle	46,421	-	46,421
In-kind service and materials	-	13,188	13,188
Investment income	2,189	207	2,396
Other	16,445	31,635	48,080
Net assets released from restrictions	608,716	22,166	630,882
Total revenues, gains and other support	856,181	571,669	1,427,850
Expenses			
Program services	490,243	407,107	897,350
Supporting services	225,861	157,372	383,233
Total expenses	716,104	564,479	1,280,583
Change in unrestricted net assets	140,077	7,190	147,267
Changes in temporarily restricted net assets:			
Federal	212,485	-	212,485
State	778,960	-	778,960
Other	62,009	-	62,009
Grants	162,592	22,166	184,758
State contract	16,963	-	16,963
Net assets released from restrictions	(608,716)	(22,166)	(630,882)
Change in temporarily restricted net assets	624,293	-	624,293
Change in net assets	764,370	7,190	771,560
Net assets, beginning of year			
Unrestricted	390,791	683,642	1,074,433
	390,791	683,642	1,074,433
Net assets, end of year			
Unrestricted	530,868	690,832	1,221,700
Temporarily restricted	624,293	-	624,293
	\$ 1,155,161	\$ 690,832	\$ 1,845,993

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

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 2017. 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, 2017

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, 2017

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.

Economic Development - The economic development program accounts for funding and purchases of property for use in attracting investment in the County.

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, 2017

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, 2017

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, 2017

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

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

At June 30, 2017, receivables for the County's individual major funds and other nonmajor governmental funds in the aggregate including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Taxes	\$ 443,756	\$ 29,547	\$ 473,303
Accounts	<u>1,946,571</u>	<u>39,294</u>	<u>1,985,865</u>
Gross	2,390,327	68,841	2,459,168
Less:			
Allowance - taxes	22,188	1,477	23,665
Allowance - accounts	<u>703,129</u>	-	<u>703,129</u>
Net receivables	<u>\$ 1,665,010</u>	<u>\$ 67,364</u>	<u>\$ 1,732,374</u>

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

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

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

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

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

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

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	10 - 50 years
Leasehold improvements	15 - 20 years
Infrastructure	40 - 50 years
Machinery and equipment	5 - 15 years
Software	3 - 10 years

Land and building held for sale - During fiscal year 2013, the County constructed a spec building at the W.B. Brown Industrial Park. The County had the building appraised after completion at a fair market value of \$1,144,000. In July 2016, the County evaluated the building for potential impairment and had the building reappraised. The reappraisal listed a fair value greater than the amount recorded; therefore, management does not believe the building is impaired at June 30, 2017. 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, 2017

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, 2017, 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, 2017

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, 2017, 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, 2017:

Capital assets, net of accumulated depreciation	\$ 51,625,019
Less: Bonds payable, net of unamortized bond discounts	29,103,904
Less: Capital project payables and retainages	664,467
Add: Unspent bond proceeds	<u>10,919,433</u>
	<u>\$ 32,776,081</u>

E. Reclassifications

The presentation of certain items in the 2016 financial statements have been reclassified to be consistent with the 2017 presentation. Such reclassifications had no effect on change in net position, cash flows or net position.

F. Subsequent Events

These financial statements have not been updated for subsequent events occurring after March 29, 2018, which is the date the financial statements were available to be issued.

G. Adoption of New Accounting Standard

During August 2015, the GASB released Statement No. 77, Tax Abatement Disclosures. This Statement requires state and local governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanics by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) The gross dollar amount of taxes abated during the period; and (3) Commitments made by the government, other than to abate taxes, as part of the tax abatement agreement. State and local governments should then organize these disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. The requirements of this Statement are effective for financial statement periods beginning after December 15, 2015. The County implemented the requirements of this Statement during the fiscal year ended June 30, 2017.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

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

G. Adoption of New Accounting Standard - (Continued)

During June 2015, the GASB released Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2017. The County is evaluating the effect implementing this Statement will have on its financial statements.

Note 2. Stewardship, Compliance and Accountability

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

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

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

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 3. Deposits and Investments

Custodial credit risk - Deposits:

Deposits include cash and cash equivalents on deposit in banks. At June 30, 2017, the carrying amount of the County's deposits was \$36,013,369 and the bank balance was \$36,641,248.

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, 2017, all of the County's bank balance was insured or collateralized.

Investments:

As of June 30, 2017, the County held the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		Three months or less	Three to twelve months	More than one year
South Carolina Local Government Investment Pool (LGIP)	\$ 21,090,973	\$ 21,090,973	\$ -	\$ -
Total investments held in the County's name	\$ 21,090,973	\$ 21,090,793	\$ -	\$ -

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 financial statements:

Exhibit 3 - Cash and cash equivalents	\$ 36,877,558	Deposits	\$ 36,013,369
Exhibit 7 - Cash and cash equivalents	20,226,784	LGIP	21,090,973
Total	\$ 57,104,342	Total	\$ 57,104,342

Custodial credit risk:

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the County will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The County's policy with respect to custodial credit risk is that all of the County's investments must be insured or collateralized. At June 30, 2017 all of the County's investments were insured or collateralized.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 3. Deposits and Investments - (Continued)

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the County. The County has no investment policy that would further limit its investment choices other than State law. As of June 30, 2017, 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.

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, 2017 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 1,336,621
General Fund	Road Improvement Program	631,307

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, 2017 consisted of the following individual amounts:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
Fairfield Facilities Corporation	Nonmajor Governmental	\$ 896,288
Nonmajor Governmental	General Fund	1,881,539
Economic Development	Fairfield Facilities Corporation	1,800,000
		<u>\$ 4,577,827</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 5. Due From Other Governmental Units

Amounts due from other governments at June 30, 2017 in the governmental type funds consisted of the following:

	State	Federal	Total
General Fund	\$ 525,609	\$ 14,203	\$ 539,812
Road Improvement Program	1,306,420	-	1,306,420
Nonmajor Governmental	417,373	544,954	962,327
	<u>\$ 2,249,402</u>	<u>\$ 559,157</u>	<u>\$ 2,808,559</u>

Note 6. Notes Receivable - Hospital

In March 2011, the County issued a noninterest bearing note for \$400,000 from its General Fund to the Fairfield Memorial Hospital (the "Hospital") for the purpose of assisting the Hospital in meeting its current administrative costs and expenses. During prior years, the Hospital paid \$66,667 but then stopped making the required monthly payments. In March 2014, the County issued another noninterest bearing note for \$500,000 from its General Fund to the Hospital for the same purpose. The principal was payable in full in March 2017. In April 2016, the County issued another noninterest bearing note for \$423,092 with no specified payment plan or due date. During fiscal year 2017, 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, 2017. 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, 2017:

	Balance, June 30, 2016	Additions	Reductions	Balance, June 30, 2017
Capital assets, not being depreciated				
Land	\$ 3,107,473	\$ 6,358,827	\$ 10,000	\$ 9,456,300
Construction in progress	<u>5,271,904</u>	<u>5,835,860</u>	<u>5,271,590</u>	<u>5,836,174</u>
Total capital assets, not being depreciated	<u>8,379,377</u>	<u>12,194,687</u>	<u>5,281,590</u>	<u>15,292,474</u>
Capital assets, being depreciated				
Land improvements	23,676,727	13,229	-	23,689,956
Buildings and improvements	23,313,172	4,750,390	41,000	28,022,562
Leasehold improvements	1,658,079	-	-	1,658,079
Infrastructure	6,208,460	-	-	6,208,460
Machinery and equipment	20,518,376	1,776,715	1,567,882	20,727,209
Software	<u>400,282</u>	<u>-</u>	<u>-</u>	<u>400,282</u>
Total capital assets, being depreciated	<u>75,775,096</u>	<u>6,540,334</u>	<u>1,608,882</u>	<u>80,706,548</u>
Accumulated depreciation	<u>(43,203,842)</u>	<u>(2,726,504)</u>	<u>1,556,343</u>	<u>(44,374,003)</u>
Total capital assets, being depreciated, net	<u>32,571,254</u>	<u>3,813,830</u>	<u>52,539</u>	<u>36,332,545</u>
Net capital assets	<u>\$ 40,950,631</u>	<u>\$ 16,008,517</u>	<u>\$ 5,334,129</u>	<u>\$ 51,625,019</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 7. Capital Assets, Continued

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

General government	\$ 1,817,687
Public safety	312,764
Public works and utilities	147,893
Health and welfare	384,491
Judicial	1,382
Cultural and recreation	62,287
	<u>\$ 2,726,504</u>

Note 8. HON Facility

The County has entered into a long-term lease agreement with the State for the use of its HON facility. The HON facility has square footage of approximately 186,000 and is located in Winnsboro, South Carolina. The lease agreement requires no annual lease payment from the County; however, the County must pay for all maintenance, utilities and insurance for the facility. The lease will expire during fiscal year 2031. The County's Assessor has estimated a fair market value for leasing similar sized industrial spaces at \$2.75 per square foot. Based on its assessment, the County has recorded \$511,500 as an in-kind contribution from the State and rent expense in the General Fund for the year ended June 30, 2017.

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, 2017:

	Balance, June 30, 2016	Additions	Reductions	Balance, June 30, 2017	Due in less than one year	Due in more than one year
Bonds payable:						
General obligation bonds	\$ 5,051,933	\$ 920,000	\$ 990,453	\$ 4,981,480	\$ 1,027,798	\$ 3,953,682
Revenue bonds	24,670,000	-	10,000	24,660,000	10,000	24,650,000
Unamortized bond discounts	(560,898)	-	(23,322)	(537,576)	(23,322)	(514,254)
Total bonds payable	<u>\$ 29,161,035</u>	<u>\$ 920,000</u>	<u>\$ 977,131</u>	<u>\$ 29,103,904</u>	<u>\$ 1,014,476</u>	<u>\$ 28,089,428</u>
Accrued compensated absences	<u>\$ 674,573</u>	<u>\$ 160,576</u>	<u>\$ 72,524</u>	<u>\$ 762,625</u>	<u>\$ 72,034</u>	<u>\$ 690,591</u>

General obligation bonds consisted of the following at June 30, 2017:

\$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%

\$ 2,735,000

\$769,178 general obligation bonds due in annual installments of \$36,250 to \$316,958 through March 1, 2021; interest at 2.95%

288,000

\$1,156,000 general obligation bonds due in annual installments of \$5,000 to \$878,239 through March 1, 2021; interest at 2.92%

213,433

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 9. Long-Term Liabilities - (Continued)

\$306,000 general obligation bonds due in annual installments of \$36,250 to \$149,695 through March 1, 2022; interest at 2.18%	246,286
\$306,000 general obligation bonds due in annual installments of \$33,239 to \$106,830 through March 1, 2022; interest at 3.01%	272,761
\$306,000 general obligation bonds due in annual installments of \$27,714 to \$121,406 through March 1, 2023; interest at 3.54%	306,000
\$306,000 general obligation bonds due in annual installments of \$24,239 to \$123,457 through March 1, 2023; interest at 1.96%	306,000
\$614,000 general obligation bonds due in annual installments of \$125,694 to \$225,590 through March 1, 2024; interest at 3.60%	614,000
	<u>\$ 4,981,480</u>

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

Revenue bonds consisted of the following at June 30, 2017:

\$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%	\$ 3,680,000
\$20,980,000 series 2013B revenue bonds due in annual installments of \$500,000 to \$1,600,000 through September 1, 2042; interest at 2.2% to 4.0%	20,980,000
	<u>\$ 24,660,000</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			
2018	\$ 1,027,798	\$ 205,312	\$ 1,233,110
2019	1,070,632	157,765	1,228,397
2020	1,109,384	107,895	1,217,279
2021	790,144	53,629	843,773
2022	605,807	30,738	636,545
2023-2024	377,715	16,663	394,378
	<u>\$ 4,981,480</u>	<u>\$ 572,002</u>	<u>\$ 5,553,482</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 9. Long-Term Liabilities - (Continued)

Year Ended June 30	Principal	Interest	Total
Revenue Bonds			
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	785,000	874,802	1,659,802
2023-2027	4,255,000	4,015,719	8,270,719
2028-2032	4,965,000	3,276,094	8,241,094
2033-2037	5,895,000	2,311,225	8,206,225
2038-2042	7,120,000	1,054,600	8,174,600
2043	1,600,000	32,000	1,632,000
	<u>\$ 24,660,000</u>	<u>\$ 15,106,966</u>	<u>\$ 39,766,966</u>

Note 10. Pension Plans

Description of the Entity:

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

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

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.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 10. Pension Plans - (Continued)

Plan descriptions (continued):

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.

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.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 10. Pension Plans - (Continued)

Benefits:

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

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

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

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

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.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 10. Pension Plans - (Continued)

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 Budget and Control Board for approval an increase in the SCRS 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. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty- year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
SCRS		
Employee Class Two	8.66%	8.16%
Employee Class Three	8.66%	8.16%
State ORP		
Employee	8.66%	8.16%
PORS		
Employee Class Two	9.24%	8.74%
Employee Class Two	9.24%	8.74%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
SCRS		
Employer Class Two	11.41%	10.91%
Employer Class Three	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	13.84%	13.34%
Employer Class Three	13.84%	13.34%
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.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 10. Pension Plans - (Continued)

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. An experience report on the Systems was most recently issued as of July 1, 2015. The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, 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, 2015, 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, 2017

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, 2016, 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	\$ 45,356,214,752	\$ 23,996,362,354	\$ 21,359,852,398	52.9%
PORS	6,412,510,458	3,876,035,732	2,536,474,726	60.4%

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, 2017, the County reported a liability of \$16,707,677 and \$6,360,033 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, 2017, the County's proportionate share was 0.07822% for SCRS and 0.25074% for PORS.

Deferred outflows of resources and deferred inflows of resources:

At June 30, 2017, 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	\$ 173,195	\$ 18,145
Net difference between projected and actual earnings on pension plan investments	1,405,652	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	670,846
County contributions subsequent to the measurement date	934,229	-
Total	<u>\$ 2,513,076</u>	<u>\$ 688,991</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

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	\$ 94,371	\$ -
Net difference between projected and actual earnings on pension plan investments	721,171	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,055	-
County contributions subsequent to the measurement date	497,865	-
Total	<u>\$ 1,351,462</u>	<u>\$ -</u>

The \$934,229 and \$497,865 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, 2017 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:	
2018	\$ 109,830
2019	19,300
2020	453,181
2021	307,545

	PORS
Year Ended June 30:	
2018	\$ 196,128
2019	191,344
2020	299,218
2021	166,907

Pension expense:

For the year ended June 30, 2017, the County recognized pension expense of \$1,209,926 and \$699,531 for the SCRS and the PORS, respectively.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

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, 2015, actuarial valuations, was based upon the 30 year capital markets outlook at the end of third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning January 1, 2016. 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
Global Equity:	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets:	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic:	20.0%		
GTAA/Risk Party	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

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%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 20,842,369	\$ 16,707,677	\$ 13,265,701
PORS	8,335,368	6,360,033	4,584,824

Additional financial and actuarial information:

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2016 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2016.

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, 2017

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, 2017, the County recognized approximately \$280,000 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	\$ 233,971
Amortization of unamortized accrued liability	<u>207,887</u>
Annual Required Contribution (ARC)	441,858
Interest on net OPEB obligation	74,107
Adjustment to ARC	<u>(77,135)</u>
Annual OPEB cost	438,830
Contributions made	<u>(279,753)</u>
Increase in net OPEB obligation	159,077
Net obligation, beginning of year	<u>1,852,666</u>
Net obligation, end of year	<u>\$ 2,011,743</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017, 2016 and 2015 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>
2017	\$ 438,830	63.75%	\$ 2,011,743
2016	421,941	61.96%	1,852,666
2015	300,758	67.85%	1,692,176

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

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 \$5,091,995, 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 2017 fiscal year was \$11,307,548, 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. Operating Leases

The County leases equipment and vehicles for various departments. Total costs for operating leases were approximately \$181,000 for the year ended June 30, 2017. Future minimum lease payments under operating leases are as follows:

Year Ended June 30:

2018	\$	85,717
2019		64,095
2020		60,598
2021		59,898
2022		<u>1,822</u>
	\$	<u>272,130</u>

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 14. Tax Abatements

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

For the fiscal year ended June 30 2017, the County abated property taxes totaling approximately \$1,235,801 under this program.

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

For the fiscal year ended June 30 2017, the County abated property taxes totaling approximately \$289,690 under this program.

Note 15. Risk Management

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

Note 16. Commitments

The County is obligated under a transfer station service agreement with a provider of rural trash collection services. This contract is for ten years with five year renewal options and requires payments based on a per ton fee for solid waste delivered for disposal. During the year ended June 30, 2017, the County incurred costs totaling approximately \$676,000 (net of user fees) under this agreement.

Fairfield County, South Carolina

Notes to Basic Financial Statements

For the year ended June 30, 2017

Note 16. Commitments, Continued

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, 2017, the total cost included in the financial statements of the County was approximately \$602,000.

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, 2017, the County has outstanding construction contracts of approximately \$4,380,000.

Note 17. Economic Dependency

The County received a substantial portion of its property tax revenues from a single taxpayer, South Carolina Electric and Gas (SCANA Corporation). Of the County's total property tax revenues of \$24,913,337 for the year ended June 30, 2017, approximately \$10,445,000 was generated from SCANA Corporation due to its operation of the VC Summer Nuclear Plant. This represents approximately 42% of total property tax revenues for the County. Consequently, the funding of County operations is heavily dependent on property tax revenues collected from SCANA Corporation.

Note 18. Local Option Sales Tax

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

For the year ended June 30, 2017, amounts remitted (allocated) to the County totaled approximately \$2.2 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, 2017, approximately \$366,000 of the General Fund's fund balance is committed for future local option sales tax credits.

Note 19. Subsequent Event

On July 31, 2017, South Carolina Electric & Gas Company (SCE&G) announced that it will cease construction of the two new nuclear units at the V.C. Summer Nuclear Station in Jenkinsville, South Carolina. The County and SCE&G had entered into a fee in lieu of taxes agreement for these new nuclear units and pledged this revenue source for the repayment of Series 2013 A and B revenue bonds (see Note 9). At this time, the County plans to repay the revenue bonds with other revenue sources and is evaluating its legal options against SCE&G.

Fairfield County, South Carolina

Budgetary Comparison Schedule (GAAP Basis) - General Fund

For the fiscal year ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 24,296,306	\$ 24,296,306	\$ 23,563,652	\$ (732,654)
Sales tax	1,391,792	1,391,792	2,191,098	799,306
Intergovernmental	954,800	954,800	1,710,930	756,130
Licenses, permits, fines and fees	643,157	643,157	899,453	256,296
Charges for services	1,304,286	1,304,286	1,691,351	387,065
Investment income	6,000	6,000	32,046	26,046
Other	79,500	79,500	217,879	138,379
Total revenues	28,675,841	28,675,841	30,306,409	1,630,568
Expenditures				
General government				
County council	311,245	311,245	242,930	68,315
County attorney	151,113	151,113	91,628	59,485
County administrator	416,103	431,983	427,526	4,457
Finance	629,675	629,675	623,099	6,576
Human resources	238,356	238,356	223,165	15,191
Purchasing	180,620	221,166	220,161	1,005
Data processing	706,529	710,046	709,460	586
General operating	2,245,539	1,795,810	2,282,632	(486,822)
Tax assessor	370,380	370,380	352,337	18,043
Tax collector	172,674	172,674	150,276	22,398
Building maintenance	822,868	840,135	839,917	218
Planning and building	435,678	435,678	386,467	49,211
Transit	214,833	229,798	229,628	170
Economic development	299,350	349,888	347,640	2,248
Auditor	123,810	123,810	120,956	2,854
Treasurer	175,035	179,295	179,119	176
Voter registration / Election Commission	282,116	282,116	270,495	11,621
Veterans Affairs	93,614	93,614	83,703	9,911
Delegation	2,668	2,668	1,361	1,307
Airport commission	55,696	63,084	63,081	3
Airport T-Hangers	-	-	23,362	(23,362)
Quickjobs	47,948	47,948	38,104	9,844
Summer youth program	8,195	8,195	4,835	3,360
Soil and water conservation	36,124	36,124	31,484	4,640
Community liaison	-	1,054	-	1,054
Allocations to local organizations	83,000	83,000	386,702	(303,702)
Total general government	8,103,169	7,808,855	8,330,068	(521,213)
Public safety				
Sheriff	3,624,216	3,635,075	3,631,436	3,639
Detention center	1,928,482	1,932,094	1,926,811	5,283
Animal control	263,357	346,990	346,958	32
Coroner	167,273	177,694	177,238	456
Fire department	755,207	702,207	585,364	116,843
Allocations to local organizations	171,600	171,600	30,600	141,000
Total public safety	6,910,135	6,965,660	6,698,407	267,253

Fairfield County, South Carolina**Budgetary Comparison Schedule (GAAP Basis) - General Fund****For the fiscal year ended June 30, 2017**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Expenditures, Continued				
Public works and utilities				
Road maintenance division	1,491,273	1,491,273	1,348,996	142,277
Total public works and utilities	1,491,273	1,491,273	1,348,996	142,277
Health and welfare				
Fairfield County Department of Social Services	88,000	101,629	101,626	3
Emergency medical service	3,182,020	3,182,020	2,970,040	211,980
Emergency management	765,744	833,382	807,260	26,122
Solid waste	2,039,893	2,105,092	2,120,144	(15,052)
Allocations to local organizations	1,509,596	1,518,919	1,548,493	(29,574)
Total health and welfare	7,585,253	7,741,042	7,547,563	193,479
Judicial				
Probate Judge	161,780	161,780	161,205	575
Clerk of court	340,792	340,792	304,399	36,393
Family court	138,281	138,281	132,714	5,567
Magistrates	478,321	478,321	469,979	8,342
Total judicial	1,119,174	1,119,174	1,068,297	50,877
Cultural and recreation				
Recreation	862,203	862,203	760,767	101,436
Museum	92,197	92,197	84,251	7,946
Allocations to local organizations	669,692	669,692	557,230	112,462
Total cultural and recreation	1,624,092	1,624,092	1,402,248	221,844
Total expenditures	26,833,096	26,750,096	26,395,579	354,517
Excess of revenues over expenditures	1,842,745	1,925,745	3,910,830	1,985,085
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	18,000	18,000
Transfers out	(2,001,805)	(2,001,805)	(1,881,539)	120,266
Total other financing sources (uses)	(2,001,805)	(2,001,805)	(1,863,539)	138,266
Net change in fund balance	\$ (159,060)	\$ (76,060)	2,047,291	\$ 2,123,351
Fund balance, beginning of year			19,901,805	
Fund balance, end of year			\$ 21,949,096	

Fairfield County, South Carolina***Schedule of Funding Progress for the Other Post Employment Benefit Plan
June 30, 2017***

Actuarial Valuation Date	Employer Contributions to the Retiree Health Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
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	-	-	5,091,995	5,091,995	0%	11,307,548	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, 2017

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

Fairfield County, South Carolina*Schedule of the County's Contributions**June 30, 2017*

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

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

Note: This schedule is presented to illustrate the requirement to show information for ten (10) years. However, information for fiscal years 2008 through 2013 is not readily available.

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Governmental Funds****June 30, 2017**

	Nonmajor Debt Service	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,027,097	\$ 975,379	\$ 2,701,115	\$ 4,703,591
Taxes receivable, net	28,070	-	-	28,070
Accounts receivable, net	-	1,385	37,909	39,294
Due from other governments	-	873,067	89,260	962,327
Prepaid items	-	16,297	-	16,297
Land and building held for sale	-	-	1,144,000	1,144,000
Total assets	<u>\$ 1,055,167</u>	<u>\$ 1,866,128</u>	<u>\$ 3,972,284</u>	<u>\$ 6,893,579</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 44,586	\$ 184,748	\$ 229,334
Accrued liabilities	-	21,106	-	21,106
Due to other funds	-	392,873	943,748	1,336,621
Due to other agencies	-	-	200,000	200,000
Total liabilities	<u>-</u>	<u>458,565</u>	<u>1,328,496</u>	<u>1,787,061</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	9,871	-	-	9,871
Total deferred inflows of resources	<u>9,871</u>	<u>-</u>	<u>-</u>	<u>9,871</u>
Fund balances				
Nonspendable				
Prepaid items	-	16,297	-	16,297
Restricted				
General government	-	53,331	-	53,331
Public safety	-	115,830	-	115,830
Health and welfare	-	825,785	-	825,785
Judicial	-	132,465	-	132,465
Cultural and recreation	-	158,224	-	158,224
Debt service	1,045,296	-	-	1,045,296
Committed				
Public works and utilities	-	-	1,037,231	1,037,231
Cultural and recreation	-	44,823	-	44,823
Capital outlay	-	61,500	1,606,557	1,668,057
Unassigned	-	(692)	-	(692)
Total fund balances	<u>1,045,296</u>	<u>1,407,563</u>	<u>2,643,788</u>	<u>5,096,647</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,055,167</u>	<u>\$ 1,866,128</u>	<u>\$ 3,972,284</u>	<u>\$ 6,893,579</u>

Fairfield County, South Carolina**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds****For the year ended June 30, 2017**

	Nonmajor Debt Service	Nonmajor Special Revenue Funds	Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 1,400,723	\$ 145,625	\$ -	\$ 1,546,348
Intergovernmental	-	1,325,000	89,260	1,414,260
Licenses, permits, fines and fees	-	255,266	-	255,266
Charges for services	-	419,997	-	419,997
Other	-	34,513	419,800	454,313
Total revenues	1,400,723	2,180,401	509,060	4,090,184
Expenditures				
General government	-	533,965	259,441	793,406
Public safety	-	120,338	-	120,338
Public works and utilities	-	10,480	212,386	222,866
Health and welfare	-	1,262,488	-	1,262,488
Judicial	-	73,723	-	73,723
Cultural and recreation	-	141,216	-	141,216
Capital outlay	-	522,110	1,627,777	2,149,887
Debt service				
Principal retirement	990,453	-	-	990,453
Interest and fiscal charges	288,405	-	-	288,405
Total expenditures	1,278,858	2,664,320	2,099,604	6,042,782
Excess (deficiency) of revenues over (under) expenditures	121,865	(483,919)	(1,590,544)	(1,952,598)
Other financing sources (uses)				
Proceeds from general obligation bonds	920,000	-	-	920,000
Proceeds from sale of capital assets	-	9,564	66,352	75,916
Transfers in	-	378,822	1,502,717	1,881,539
Transfers out	(896,288)	-	-	(896,288)
Total other financing sources (uses)	23,712	388,386	1,569,069	1,981,167
Net change in fund balances	145,577	(95,533)	(21,475)	28,569
Fund balances, beginning of year	899,719	1,503,096	2,665,263	5,068,078
Fund balances, end of year	\$ 1,045,296	\$ 1,407,563	\$ 2,643,788	\$ 5,096,647

Fairfield County, South Carolina**Comparative Balance Sheets - General Fund****June 30, 2017 and 2016**

	2017	2016
Assets		
Cash and cash equivalents	\$ 19,187,858	\$ 16,829,573
Taxes receivable, net	421,568	420,341
Accounts receivable, net	1,243,442	1,227,814
Due from other funds	1,967,928	1,566,530
Due from other governments	539,812	1,337,425
Prepaid items	37,571	67,220
Total assets	<u>\$ 23,398,179</u>	<u>\$ 21,448,903</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	\$ 450,541	\$ 411,143
Accrued liabilities	533,321	601,317
Due to taxpayers	3,244	3,297
Due to other agencies	267,083	324,556
Due to component unit	47,364	47,350
Due to other governments	10,833	5,599
Total liabilities	<u>1,312,386</u>	<u>1,393,262</u>
Deferred inflows of resources		
Unavailable revenue - property taxes	<u>136,697</u>	<u>153,836</u>
Total deferred inflows of resources	<u>136,697</u>	<u>153,836</u>
Fund balances		
Nonspendable		
Prepaid items	37,571	67,220
Committed		
Local option sales tax	365,968	580,018
General government	3,480,000	3,480,000
Health and welfare	760,000	760,000
Unassigned	17,305,557	15,014,567
Total fund balances	<u>21,949,096</u>	<u>19,901,805</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,398,179</u>	<u>\$ 21,448,903</u>

Fairfield County, South Carolina**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance - General Fund**
For the years ended June 30, 2017 and 2016

	2017	2016
Revenues		
Taxes	\$ 23,563,652	\$ 24,098,796
Sales tax	2,191,098	2,378,039
Intergovernmental	1,710,930	1,499,757
Licenses, permits, fines and fees	899,453	761,293
Charges for services	1,691,351	1,485,063
Investment income	32,046	25,870
Other	217,879	202,268
Total revenues	30,306,409	30,451,086
Expenditures		
General government	8,330,068	8,378,928
Public safety	6,698,407	6,115,252
Public works and utilities	1,348,996	1,395,394
Health and welfare	7,547,563	7,635,720
Judicial	1,068,297	1,081,363
Cultural and recreation	1,402,248	1,290,091
Total expenditures	26,395,579	25,896,748
Excess revenues over expenditures	3,910,830	4,554,338
Other financing sources (uses)		
Proceeds from sale of capital assets	18,000	-
Transfers in	-	668,670
Transfers out	(1,881,539)	(2,420,195)
Total other financing uses	(1,863,539)	(1,751,525)
Net change in fund balances	2,047,291	2,802,813
Fund balance, beginning of year	19,901,805	15,147,442
Add: Fireboard fund balance, beginning of year (See Note 17)	-	1,951,550
Fund balance, beginning of year, adjusted	19,901,805	17,098,992
Fund balance, end of year	\$ 21,949,096	\$ 19,901,805

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Special Revenue Funds****June 30, 2017**

	Tourism Promotion	Tourism Related	Transit System	Sheriff Seizure	Railroad Track Maintenance	Clerk of Court Incentive
Assets						
Cash and cash equivalents	\$ 40,646	\$ 117,578	\$ -	\$ 2,193	\$ 44,823	\$ 131,874
Accounts receivable, net	-	-	143	-	-	-
Due from other governments	-	-	99,404	-	-	591
Prepaid items	-	-	231	-	-	-
Total assets	<u>\$ 40,646</u>	<u>\$ 117,578</u>	<u>\$ 99,778</u>	<u>\$ 2,193</u>	<u>\$ 44,823</u>	<u>\$ 132,465</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 17,349	\$ -	\$ -	\$ -
Accrued liabilities	-	-	13,284	-	-	-
Due to other funds	-	-	47,226	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>77,859</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable - prepaid items	-	-	231	-	-	-
Restricted						
General government	-	-	-	-	-	-
Public safety	-	-	-	2,193	-	-
Health and welfare	-	-	21,688	-	-	-
Judicial	-	-	-	-	-	132,465
Cultural and recreation	40,646	117,578	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	44,823	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>40,646</u>	<u>117,578</u>	<u>21,919</u>	<u>2,193</u>	<u>44,823</u>	<u>132,465</u>
Total liabilities and fund balances	<u>\$ 40,646</u>	<u>\$ 117,578</u>	<u>\$ 99,778</u>	<u>\$ 2,193</u>	<u>\$ 44,823</u>	<u>\$ 132,465</u>

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Special Revenue Funds****June 30, 2017**

	Clerk of Court IV-D	Victim's Assistance	Airport	911 Tariff	County Donations	Workforce Investment Act
Assets						
Cash and cash equivalents	\$ -	\$ 41,672	\$ -	\$ 440,205	\$ 12,919	\$ -
Accounts receivable, net	-	-	-	1,242	-	-
Due from other governments	10,841	-	299,654	361,527	-	45,611
Prepaid items	881	(80)	-	15,477	-	(189)
Total assets	<u>\$ 11,722</u>	<u>\$ 41,592</u>	<u>\$ 299,654</u>	<u>\$ 818,451</u>	<u>\$ 12,919</u>	<u>\$ 45,422</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 750	\$ 215	\$ -	\$ 37	\$ 1,851	\$ 13,241
Accrued liabilities	869	1,650	-	-	-	4,561
Due to other funds	10,103	-	246,382	-	-	27,620
Total liabilities	<u>11,722</u>	<u>1,865</u>	<u>246,382</u>	<u>37</u>	<u>1,851</u>	<u>45,422</u>
Fund balances						
Nonspendable - prepaid items	881	(80)	-	15,477	-	(189)
Restricted						
General government	-	-	53,272	-	59	-
Public safety	-	39,807	-	-	9,849	-
Health and welfare	-	-	-	802,937	1,160	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unassigned	(881)	-	-	-	-	189
Total fund balance	<u>-</u>	<u>39,727</u>	<u>53,272</u>	<u>818,414</u>	<u>11,068</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,722</u>	<u>\$ 41,592</u>	<u>\$ 299,654</u>	<u>\$ 818,451</u>	<u>\$ 12,919</u>	<u>\$ 45,422</u>

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Special Revenue Funds****June 30, 2017**

	Justice Assistance Grant	Sheriff Drug Fund	Sheriff Child Support	Sheriff Judgments/ Executions	Sheriff Law Enforcement	Sex Offender
Assets						
Cash and cash equivalents	\$ 10,479	\$ 20,484	\$ 10,203	\$ 6,708	\$ 23,522	\$ 3,700
Accounts receivable, net	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	(23)	-	-	-
Total assets	<u>\$ 10,479</u>	<u>\$ 20,484</u>	<u>\$ 10,180</u>	<u>\$ 6,708</u>	<u>\$ 23,522</u>	<u>\$ 3,700</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	742	-	-	-
Due to other funds	10,479	-	-	-	-	-
Total liabilities	<u>10,479</u>	<u>-</u>	<u>742</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances						
Nonspendable - prepaid items	-	-	(23)	-	-	-
Restricted						
General government	-	-	-	-	-	-
Public safety	-	20,484	9,461	6,708	23,522	3,700
Health and welfare	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Committed						
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>20,484</u>	<u>9,438</u>	<u>6,708</u>	<u>23,522</u>	<u>3,700</u>
Total liabilities and fund balances	<u>\$ 10,479</u>	<u>\$ 20,484</u>	<u>\$ 10,180</u>	<u>\$ 6,708</u>	<u>\$ 23,522</u>	<u>\$ 3,700</u>

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Special Revenue Funds****June 30, 2017**

	Element Access Road	Grant Subfunds	Total Nonmajor Special Revenue Funds
Assets			
Cash and cash equivalents	\$ 61,500	\$ 6,873	\$ 975,379
Accounts receivable, net	-	-	1,385
Due from other governments	-	55,439	873,067
Prepaid items	-	-	16,297
Total assets	<u>\$ 61,500</u>	<u>\$ 62,312</u>	<u>\$ 1,866,128</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 11,143	\$ 44,586
Accrued liabilities	-	-	21,106
Due to other funds	-	51,063	392,873
Total liabilities	<u>-</u>	<u>62,206</u>	<u>458,565</u>
Fund balances			
Nonspendable - prepaid items	-	-	16,297
Restricted			
General government	-	-	53,331
Public safety	-	106	115,830
Health and welfare	-	-	825,785
Judicial	-	-	132,465
Cultural and recreation	-	-	158,224
Committed			
Cultural and recreation	-	-	44,823
Capital outlay	61,500	-	61,500
Unassigned	-	-	(692)
Total fund balance	<u>61,500</u>	<u>106</u>	<u>1,407,563</u>
Total liabilities and fund balances	<u>\$ 61,500</u>	<u>\$ 62,312</u>	<u>\$ 1,866,128</u>

Fairfield County, South Carolina

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
For the fiscal year ended June 30, 2017

	Tourism Promotion	Tourism Related	Transit System	Sheriff Seizure	Railroad Track Maintenance	Clerk of Court Incentive
Revenues						
Taxes	\$ 45,987	\$ 99,638	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	86,447	-	-	28,503
Licenses, permits, fines and fees	-	-	-	-	-	-
Charges for services	-	-	419,997	-	-	-
Other	-	-	13,478	-	-	-
Total revenues	45,987	99,638	519,922	-	-	28,503
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	567	-	-
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	866,083	-	-	-
Judicial	-	-	-	-	-	11,475
Cultural and recreation	50,962	77,504	-	-	6,892	-
Capital outlay	-	-	-	-	-	-
Total expenditures	50,962	77,504	866,083	567	6,892	11,475
Excess (deficiency) of revenues over (under) expenditures	(4,975)	22,134	(346,161)	(567)	(6,892)	17,028
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	8,204	-	-	-
Transfers in	-	-	337,158	-	15,000	-
Total other financing sources (uses)	-	-	345,362	-	15,000	-
Net change in fund balance	(4,975)	22,134	(799)	(567)	8,108	17,028
Fund balances, beginning of year	45,621	95,444	22,718	2,760	36,715	115,437
Fund balances, end of year	\$ 40,646	\$ 117,578	\$ 21,919	\$ 2,193	\$ 44,823	\$ 132,465

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, 2017

	Clerk of Court IV-D	Victim Assistance	Airport	911 Tariff	County Donations	Workforce Investment Act
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	62,248	-	219,162	536,271	-	247,423
Licenses, permits, fines and fees	-	42,217	-	211,699	-	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	12,318	-
Total revenues	62,248	42,217	219,162	747,970	12,318	247,423
Expenditures						
General government	-	-	234,498	-	116	262,599
Public safety	-	72,919	-	-	9,004	-
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	324,524	-	-
Judicial	62,248	-	-	-	-	-
Cultural and recreation	-	-	-	-	5,858	-
Capital outlay	-	-	-	511,061	-	-
Total expenditures	62,248	72,919	234,498	835,585	14,978	262,599
Excess (deficiency) of revenues over (under) expenditures	-	(30,702)	(15,336)	(87,615)	(2,660)	(15,176)
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	15,176
Total other financing sources (uses)	-	-	-	-	-	15,176
Net change in fund balance	-	(30,702)	(15,336)	(87,615)	(2,660)	-
Fund balances, beginning of year	-	70,429	68,608	906,029	13,728	-
Fund balances, end of year	\$ -	\$ 39,727	\$ 53,272	\$ 818,414	\$ 11,068	\$ -

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, 2017

	Justice Assistance Grant	Sheriff Drug Fund	Sheriff Child Support	Sheriff Judgments/ Executions	Sheriff Law Enforcement	Sex Offender
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	10,186	-	1,964	-	-	-
Licenses, permits, fines and fees	-	-	-	-	-	1,350
Charges for services	-	-	-	-	-	-
Other	-	1,777	-	-	6,940	-
Total revenues	10,186	1,777	1,964	-	6,940	1,350
Expenditures						
General government	-	-	-	-	-	-
Public safety	10,186	4,222	12,430	-	3,984	450
Public works and utilities	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	10,186	4,222	12,430	-	3,984	450
Excess (deficiency) of revenues over (under) expenditures	-	(2,445)	(10,466)	-	2,956	900
Other financing sources (uses)						
Proceeds from sale of capital assets	-	-	-	-	1,360	-
Transfers in	-	-	10,466	-	-	-
Total other financing sources (uses)	-	-	10,466	-	-	-
Net change in fund balance	-	(2,445)	-	-	4,316	900
Fund balances, beginning of year	-	22,929	9,438	6,708	19,206	2,800
Fund balances, end of year	\$ -	\$ 20,484	\$ 9,438	\$ 6,708	\$ 23,522	\$ 3,700

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, 2017

	Element Access Road	Grant Subfunds	Total Nonmajor Special Revenue Funds
Revenues			
Taxes	\$ -	\$ -	\$ 145,625
Intergovernmental	-	132,796	1,325,000
Licenses, permits, fines and fees	-	-	255,266
Charges for services	-	-	419,997
Other	-	-	34,513
Total revenues	-	132,796	2,180,401
Expenditures			
General government	-	36,752	533,965
Public safety	-	6,576	120,338
Public works and utilities	-	10,480	10,480
Health and welfare	-	71,881	1,262,488
Judicial	-	-	73,723
Cultural and recreation	-	-	141,216
Capital outlay	-	11,049	522,110
Total expenditures	-	136,738	2,664,320
Excess (deficiency) of revenues over (under) expenditures	-	(3,942)	(483,919)
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	9,564
Transfers in	-	1,022	378,822
Total other financing sources (uses)	-	1,022	388,386
Net change in fund balance	-	(2,920)	(95,533)
Fund balances, beginning of year	61,500	3,026	1,503,096
Fund balances, end of year	\$ 61,500	\$ 106	\$ 1,407,563

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Capital Project Funds****June 30, 2017**

	Capital Improvement Projects	Phase II Commerce Center	Water and Sewer Program	Solid Waste & Recycling Capital Fund
Assets				
Cash and cash equivalents	\$ 1,232,582	\$ 219,000	\$ 912,487	\$ 124,744
Accounts receivable, net	37,909	-	-	-
Due from other governments	89,260	-	-	-
Land and building held for sale	-	-	-	-
Total assets	<u>\$ 1,359,751</u>	<u>\$ 219,000</u>	<u>\$ 912,487</u>	<u>\$ 124,744</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 184,443	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other agencies	-	-	-	-
Total liabilities	<u>184,443</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Committed				
Public works and utilities	-	-	912,487	124,744
Capital outlay	1,175,308	219,000	-	-
Total fund balances	<u>1,175,308</u>	<u>219,000</u>	<u>912,487</u>	<u>124,744</u>
Total liabilities and fund balances	<u>\$ 1,359,751</u>	<u>\$ 219,000</u>	<u>\$ 912,487</u>	<u>\$ 124,744</u>

Fairfield County, South Carolina**Combining Balance Sheet - Nonmajor Capital Project Funds****June 30, 2017**

	Vehicle Replacement Program	WB Industrial Park Fund	Total Nonmajor Capital Project Funds
Assets			
Cash and cash equivalents	\$ 188,499	\$ 23,803	\$ 2,701,115
Accounts receivable, net	-	-	37,909
Due from other governments	-	-	89,260
Land and building held for sale	-	1,144,000	1,144,000
Total assets	<u>\$ 188,499</u>	<u>\$ 1,167,803</u>	<u>\$ 3,972,284</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ 305	\$ 184,748
Due to other funds	-	943,748	943,748
Due to other agencies	-	200,000	200,000
Total liabilities	<u>-</u>	<u>1,144,053</u>	<u>1,328,496</u>
Fund balances			
Committed			
Public works and utilities	-	-	1,037,231
Capital outlay	188,499	23,750	1,606,557
Total fund balances	<u>188,499</u>	<u>23,750</u>	<u>2,643,788</u>
Total liabilities and fund balances	<u>\$ 188,499</u>	<u>\$ 1,167,803</u>	<u>\$ 3,972,284</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, 2017**

	Capital Improvement Projects	Phase II Commerce Center	Water and Sewer Program	Solid Waste & Recycling Capital Fund
Revenues				
Intergovernmental	\$ 89,260	\$ -	\$ -	\$ -
Other	185,122	219,000	-	-
Total revenues	274,382	219,000	-	-
Expenditures				
General government	220,325	-	-	-
Public works and utilities	-	-	212,386	-
Capital outlay	878,753	-	-	24,660
Total expenditures	1,099,078	-	212,386	24,660
Excess (deficiency) of revenues over (under) expenditures	(824,696)	219,000	(212,386)	(24,660)
Other financing sources (uses)				
Proceeds from sale of capital assets	1,035	-	-	-
Transfers in	619,653	-	-	25,000
Total other financing sources (uses)	620,688	-	-	25,000
Net change in fund balances	(204,008)	219,000	(212,386)	340
Fund balances, beginning of year	1,379,316	-	1,124,873	124,404
Fund balances, end of year	\$ 1,175,308	\$ 219,000	\$ 912,487	\$ 124,744

Fairfield County, South Carolina**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds****For the year ended June 30, 2017**

	Vehicle Replacement Program	WB Industrial Park Fund	Total Nonmajor Capital Project Funds
Revenues			
Intergovernmental	\$ -	\$ -	\$ 89,260
Other	15,678	-	419,800
Total revenues	15,678	-	509,060
Expenditures			
General government	26,702	12,414	259,441
Public works and utilities	-	-	212,386
Capital outlay	724,364	-	1,627,777
Total expenditures	751,066	12,414	2,099,604
Excess (deficiency) of revenues over (under) expenditures	(735,388)	(12,414)	(1,590,544)
Other financing sources (uses)			
Proceeds from sale of capital assets	65,317	-	66,352
Transfers in	849,300	8,764	1,502,717
Total other financing sources (uses)	914,617	8,764	1,569,069
Net change in fund balances	179,229	(3,650)	(21,475)
Fund balances, beginning of year	9,270	27,400	2,665,263
Fund balances, end of year	\$ 188,499	\$ 23,750	\$ 2,643,788

Fairfield County, South Carolina**Schedule of Budget to Actual Costs - South Carolina Department of Transportation Contracts****For the fiscal year ended June 30, 2017**

	Federal	State	Local	Total	Budget	Variance with Budget
<u>PT-74711-33</u>						
Administration						
Personnel	\$ 4,317	\$ 540	\$ 540	\$ 5,397	\$ 9,700	\$ 4,303
Fringe benefits	996	125	125	1,246	2,100	854
Utilities	358	45	45	448	8,500	8,052
Travel	145	18	18	181	1,700	1,519
Telephone/internet	237	30	30	297	5,500	5,203
Office equipment	237	30	30	297	2,700	2,403
Total administration	6,290	788	788	7,866	30,200	22,334
Operations						
Personnel	9,938	4,498	3,295	17,731	27,200	9,469
Fringe benefits	3,269	1,634	1,634	6,537	8,500	1,963
Vehicle services	333	166	166	665	1,156	491
Fuel and lubricants	1,424	1,607	712	3,743	22,678	18,935
Tires and tubes	170	85	85	340	1,500	1,160
Miscellaneous expenses						
Uniforms/clothing	203	101	101	405	3,000	2,595
Telephone/cell phone	165	82	82	329	1,600	1,271
Medical services	28	14	14	56	375	319
Travel	2	1	1	4	700	696
Casualty and liability	-	-	-	-	8,000	8,000
Total operations	15,532	8,188	6,090	29,810	74,709	44,899
Capital						
Preventive maintenance						
Salaries and fringe benefits	4,483	374	1,056	5,913	9,900	3,987
Motor vehicle supplies	543	115	20	678	4,000	3,322
ADP Hardware						
Timeclock system	-	-	-	-	33,077	33,077
Data processing	169	36	7	212	3,600	3,388
Total capital	5,195	525	1,083	6,803	50,577	43,774
Total contract - PT-74711-33	\$ 27,017	\$ 9,501	\$ 7,961	\$ 44,479	\$ 155,486	\$ 111,007
<u>PT-74711-V3</u>						
Capital						
Bus < 30 ft.						
Suset conversion van	\$ 38,250	\$ 6,750	\$ -	\$ 45,000	\$ 45,000	\$ -
Total capital	38,250	6,750	-	45,000	45,000	-
Total contract - PT-74711-V3	\$ 38,250	\$ 6,750	\$ -	\$ 45,000	\$ 45,000	\$ -
<u>RTAP-17R047-01</u>						
Administration						
Travel						
Registration	\$ 2,374	\$ -	\$ -	\$ 2,374	\$ 2,374	\$ -
Lodging and meals	1,650	-	1,112	2,762	2,762	-
Mileage	-	-	679	679	679	-
Other travel expenses	-	-	240	240	240	-
Total administration	4,024	-	2,031	6,055	6,055	-
Total contract - RTAP-17R047-01	\$ 4,024	\$ -	\$ 2,031	\$ 6,055	\$ 6,055	\$ -

Fairfield County, South Carolina***Schedule of Court Fines, Surcharges and Assessment Activity - Victim's Assistance Fund******For the fiscal year ended June 30, 2017******Court fines***

Collected	\$ 18,466
Retained by County	1,574
	<u>\$ 16,892</u>

Court assessments

Collected	231,636
Retained by County	23,181
	<u>\$ 208,455</u>

Court surcharges

Collected	\$ 120,834
Retained by County	17,462
	<u>\$ 103,372</u>

Victim's assistance

Court assessments	\$ 24,755
Court surcharges	17,462
	<u>42,217</u>
Allocated to Victim's Assistance	72,919
Victim's Assistance expenditures	<u>(30,702)</u>

Fund balance, beginning of year***Fund balance, end of year***70,429\$ 39,727

Fairfield County, South Carolina***Computation of Legal Debt Margin******June 30, 2017***

Assessed value (1)		\$ 146,184,697
		<u> </u>
Debt limit - 8% of assessed value (2)		\$ 11,694,776
Amount of debt applicable to debt limit (3):		
Total general obligation bonds	\$ 4,981,480	
Less: Debt service funds available	<u>1,045,296</u>	
Total debt applicable to debt limit		<u>3,936,184</u>
Legal debt margin		<u>\$ 7,758,592</u>

NOTES:

- (1) The assessed valuation shown is the assessed value at December 31, 2015 used for 2016 property tax computations.
- (2) The legal debt limit is controlled by Article X, Section 14 of the Constitution of the State of South Carolina.
- (3) The legal debt limit governed by Article X of the Constitution of the State of South Carolina provides that each county, township, school district, municipality or subdivision may issue bonded indebtedness up to eight percent of the assessed value of all corporation or political division property therein. The debt limit of eight percent can be exceeded only after a referendum of the voters is affected.

Single Audit Section

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

Fairfield County Council
Fairfield County, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fairfield County, South Carolina (the "County") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2018. 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, 2016-002, and 2017-001, 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, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
March 29, 2018

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

Fairfield County Council
Fairfield County, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Fairfield County's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
March 29, 2018

Fairfield County, South Carolina**Schedule of Expenditures of Federal Awards****For the fiscal year ended June 30, 2017**

Federal Grant/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Federal Grantor's/ Pass-Through Grantor's Number	Federal Expenditures
Workforce Investment Act - Cluster			
<u>U.S. Department of Labor</u>			
Passed through South Carolina Department of Employment Workforce			
Workforce Investment Act - Adult Program	17.258	16A294F1	\$ 88,968
Workforce Investment Act - Dislocated Workers	17.278	16D294F1	45,604
Workforce Investment Act - Youth	17.259	16Y294C1	112,851
Total Workforce Investment Act - Cluster			247,423
Other Programs			
<u>U.S. Department of Agriculture</u>			
Direct assistance			
Rural Development, Forestry and Communities	10.672		14,604
Passed through the South Carolina Forestry Commission			
Cooperative Forestry Assistance	10.664	16-DG-11083145--001	4,083
Total U.S. Department of Agriculture			18,687
<u>U.S. Department of Justice</u>			
Passed through South Carolina Law Enforcement Division			
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-1003	10,186
Total U.S. Department of Justice			10,186
<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-74711-V3	38,250
Section 5311 - Formula Grant	20.509	PT-74711-33	27,011
Rural Transit Assistance Program (RTAP)	20.509	SC18-X038	4,934
			70,195
Passed through the South Carolina Department of			
Commerce/Division of Aeronautics			
Airport Improvement Program			
Runway Safety Area Development Construction	20.106	3-45-0058-013-2014	13,938
Airport Layout Plan Update	20.106	3-45-0058-014-2015	51,705
Airport Runway and Taxiway Lighting and Signage Improvement	20.106	3-45-0058-015-2016	142,718
			208,361
Total U.S. Department of Transportation			278,556
<u>U.S. Department of Homeland Security</u>			
Passed through South Carolina Adjutant General's Office			
Emergency Management Performance Grant	97.042	16EMPG01	51,869
Passed through South Carolina Emergency Management Division:			
Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4241-DR-SC	89,260
Total U.S. Department of Homeland Security			141,129
<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	C17020C	75,687
Total U.S. Department of Health and Human Services			75,687
Total federal assistance expended (accrual basis of accounting)			\$ 771,668

Fairfield County, South Carolina***Schedule of Expenditures of Federal Awards******For the fiscal year ended June 30, 2017***

Federal Grant/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Federal Grantor's/ Pass-Through Grantor's Number	Federal Expenditures
--	------------------------	--	-------------------------

Note A - Basis of Presentation

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

Note B - Basis of Presentation

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Fairfield County, South Carolina
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

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: | |
| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| 17.258; 17.259; 17.278 | Workforce Innovation and Opportunity Act Cluster |
| 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) (repeated and updated finding from prior year)

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

- Formal policies - The County does not 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.

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.

II. Financial Statement Findings (Continued)

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

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.

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

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. Any reconciliations required to be re-done as a result of adjustments and/or corrections to the general ledger will be noted.

II. Financial Statement Findings (Continued)

Item 2017-001: Segregation of Duties – Capital Assets

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

Criteria: The County is responsible for accurately recording its investment it capital assets.

Cause: The County's Comptroller performs all accounting functions related to capital assets without oversight.

Effect: The County increases its risk of not identifying potential fraud or errors related to capital assets in a timely manner.

Context: We noted the above condition during testing of the County's capital asset activity for fiscal year 2017.

Recommendation: The Finance Department should establish a formal policy that provides for a Finance Department employee, or a contracted third party, to record the County's capital asset activity with adequate supervision and review from the County's Comptroller.

Views of Responsible Officials and Planned Corrective Actions: The County Comptroller has requested to hire an employee to record the County's Capital Assets and enter them in the New World Fixed Assets Module. This will allow for the Comptroller to review and post the assets, providing for the separation of duties.

III. Federal Award Findings and Questioned Costs

None reported



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County Administrator

LAURA JOHNSON
Comptroller

DAVIS ANDERSON
Deputy County Administrator

ANNE BASS
Deputy Comptroller

Fairfield County

Summary Schedule of Prior Audit Findings for the year ended June 30, 2017

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

Item 2016-001: Information Technology (IT)

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

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

Current Action Taken/Current Status:

- We are working on formal/written policies regarding IT security
- We lockout account access (this is part of the NWS software) after 3 attempts. However, the user can simply open a fresh browser and try again. The server is on AD but the end-users are not.
- We still do for end-user and vendor support purposes
- We (Information Technology Department) do not close VPN or email access until we are notified by the department manager or HR to do so
- We do monitor replication of mission critical systems. Also, we are in the budget process to add a "cloud" data center in addition to our local DR site

Item 2016-001: Information Technology (IT), Continued***Current Action Taken/Current Status (continued):***

- We do monitor our systems to assure they are secure. Evidenced by the fact that we've not had a data breach to date
- They are configured to the actual user. We remove VPN users upon request from a department manager or HR
- Backups are checked by the Systems Administrator each day

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

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

Current Action Taken/Current Status: Moving forward, the Treasurer's Office will implement policies and procedures to timely receive and review all bank reconciliations. Any discrepancies or variances will be investigated in a timely manner to facilitate the reconciliation process. After reviewing the reconciliations, the proper Treasurer's Office personnel will approve the reconciliation to verify completeness and accuracy. Any reconciliations required to be re-done as a result of adjustments and/or corrections to the general ledger will be noted.