

**LAURENS COUNTY, SOUTH CAROLINA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2015**

# LAURENS COUNTY, SOUTH CAROLINA

## FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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**LAURENS COUNTY, SOUTH CAROLINA**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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# **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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**Laurens County Council  
of Laurens County, South Carolina  
Laurens, South Carolina**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Laurens County, South Carolina** (the "County"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Laurens County, South Carolina's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Laurens County, South Carolina as of June 30, 2015, and the respective changes in financial position and the budgetary comparisons for the General Fund, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 16, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4 through 9), and the Schedules of County's Proportionate Share of the Net Pension Liability and Schedules of County Contributions (on pages 56 and 57) 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 Laurens County, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The summary schedule of court fines, assessments and surcharges is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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The combining and individual nonmajor fund financial statements and schedules, summary schedule of court fines, assessments and surcharges, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, summary schedule of court fines, assessments and surcharges, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of Laurens County, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Laurens County, South Carolina's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 29, 2015

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## **Laurens County, South Carolina**

### ***Management's Discussion and Analysis***

***June 30, 2015***

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This section of Laurens County annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the County's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The County's assets exceeded its liabilities at June 30, 2015 by \$38.7 million (net position). Of this amount, \$55.8 million is net investment in capital assets; \$6.5 million is restricted for capital activity, debt service, contingency and public safety, and with unrestricted net position of approximately (\$23.5 million).
- The County repaid \$2.4 million of bond and financing lease payables during the year. The County issued \$ 676 thousand in new debt during the year.
- During the year, the County's general fund balance decreased by \$1.8 million.
- The general fund actual revenues were \$647 thousand greater than budgeted and general fund expenditures were \$1.4 million greater than budgeted.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- Fiduciary fund statements provide information about resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

**Laurens County, South Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2015**

Figure A-1 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-1**  
**Major Features of Laurens County Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire County government (except Fiduciary funds)	The activities of the County that are not proprietary or fiduciary, such as police, fire, and parks	Instances in which the County is the agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All agency assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	

**GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net position* and how it has changed. Net position - the difference between the County's assets and liabilities - is one way to measure the County's financial health.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of the County's roads.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the County's most significant funds - not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

# Laurens County, South Carolina

## Management's Discussion and Analysis

June 30, 2015

- The County Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has two kinds of funds:

- Governmental funds** - Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Fiduciary funds** - The County acts as agent, or *fiduciary*, for other entities' resources. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

### FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

**Net Position:** The County combined net position decreased \$5.1 million or 11.6 percent between fiscal years 2014 and 2015 (See Table A-1)

**Table A-1**  
**Laurens County Net Position**  
*(in thousands of dollars)*

	Governmental Activities		Total Percent Change
	2014	2015	
Current and other assets	\$ 17,364	\$ 15,533	-10.5%
Capital assets	73,027	69,919	-4.3%
Total assets	90,391	85,452	-5.5%
Total deferred outflows of resources	1,469	2,078	41.5%
Current liabilities	12,317	12,408	0.7%
Long-term liabilities	35,732	34,215	-4.2%
Total liabilities	48,049	46,623	-3.0%
Total deferred inflows of resources	-	2,166	100.0%
Net position:			
Net investment in capital assets	57,121	55,761	-2.4%
Restricted	7,478	6,483	-13.3%
Unrestricted, as restated	(20,788)	(23,503)	13.1%
Total net position	\$ 43,811	\$ 38,741	-11.6%

# Laurens County, South Carolina

## Management's Discussion and Analysis

June 30, 2015

Net unrestricted position of our governmental activities increased by \$2.7 million. Capital assets of \$1.4 million were acquired during the year while depreciation expense on new and existing capital assets totaled \$5.4 million.

**Changes in net position.** The County's total revenues increased by 4.4 percent to \$35.0 million. (See Table A-2) Approximately 57 percent of the County's total revenue comes from property taxes, 22 percent comes from fees charged for services and 20 percent is from state and federal aid.

The total cost of all programs and services increased approximately \$2.0 million or 5.2 percent. The County's expenses cover a range of services, with about 39 percent related to public safety. Table A-2 and the narrative that follows consider the operations of governmental activities.

### GOVERNMENTAL ACTIVITIES

Revenues for the County's governmental activities increased 4.7 percent, while total expenses increased by 5.4 percent.

**Table A-2**  
**Changes in Laurens County Net Position**  
*(in thousands of dollars)*

	<b>Governmental Activities</b>		<b>Total Percent Change</b>
	<b>2014</b>	<b>2015</b>	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 7,762	\$ 7,611	-1.9%
Operating grants and contributions	3,327	4,138	24.4%
Capital grants and contributions	2,965	2,946	-0.6%
General revenues:			
Property taxes	19,335	20,126	4.1%
Unrestricted investment earnings	154	200	29.9%
Gain on sale of assets	-	1	100.0%
Total revenues	33,543	35,022	4.4%
<b>Program Expenses</b>			
General government	9,628	11,546	19.9%
Judicial	1,372	1,352	-1.5%
Public safety	15,337	15,720	2.5%
Public works	9,020	7,540	-16.4%
Health and welfare	273	340	24.5%
Culture and recreation	845	942	11.5%
Economic development	1,526	2,076	36.0%
Interest on long-term debt	117	576	392.3%
Total expenses	38,118	40,092	5.2%
Increase (decrease) in net position	\$ (4,575)	\$ (5,070)	10.8%

## Laurens County, South Carolina

### Management's Discussion and Analysis

June 30, 2015

Total revenues were \$ 1.5 million greater than the prior year. During the current year, grants increased by \$792 thousand, property taxes increased by \$791 thousand, and other revenues decreased by \$104 thousand as compared to the prior year.

Current year expenses were \$2.0 million greater than prior year. general government, public safety, health and welfare, culture and recreation and interest on long-term debt had increase in expenses totaling \$2.9 million.

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$12 million which is less than the prior year by \$3.0 million.

#### General Fund Budgetary Highlights

Actual general fund expenditures were \$1.4 million greater than budgeted amounts, primarily resulting from negative budget variances in general government and housing and development of \$537 thousand and \$248 thousand, respectively. Debt service payments were \$775 thousand greater than budget due to reclassification of debt.

The resources available for appropriation were \$647 thousand less than the budgeted amount. This is primarily related to reclassification of debt not included in the current budget allocations.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2015, the County had invested \$70 million in a broad range of capital assets. (See Table A-3.) This amount represents a net increase before depreciation (including additions and deductions) of \$2.3 million. However, after depreciation, capital assets decreased \$3.1 million thousand or 4.3 percent, over last year.

**Table A-3**  
**Laurens County Capital Assets**  
*(net of depreciation, in thousands of dollars)*

	Governmental Activities		Total Percent Change
	2014	2015	
Land	\$ 2,870	\$ 2,870	0.0%
Construction in progress	268	1,826	100.0%
Buildings	17,369	17,142	-1.3%
Equipment	6,563	5,807	-11.5%
Infrastructure	45,957	42,274	-8.0%
Total capital assets, net	<u>\$ 73,027</u>	<u>\$ 69,919</u>	-4.3%

More detailed information about the County's capital assets is presented in Note 6 on pages 34 and 35 in the notes to the financial statements.

**Laurens County, South Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**Long-term Debt**

At year-end, the County had \$14.2 in bonds and capital lease obligations outstanding, a decrease of 11.0 percent over last year as shown in Table A-4. More detailed information about the County's long-term is presented in Note 7 on pages 34 through 39 in the notes to the financial statements.

The state limits the amount of general obligation debt the County can issue to 8 percent of the assessed value of all taxable property within the County's legal limits.

**Table A-4**  
**Laurens County Outstanding Debt**  
*(in thousands of dollars)*

	<b>Governmental Activities</b>		<b>Total Percent Change</b>
	<b>2014</b>	<b>2015</b>	
General obligation bonds	\$ 9,879	\$ 9,084	-8.0%
Special source revenue bonds	2,907	2,679	-7.8%
Capital leases payable	3,119	2,396	-23.2%
Total outstanding debt	<u>\$ 15,905</u>	<u>\$ 14,159</u>	-11.0%

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Unemployment at June 30, 2015 stood at 7.9 percent versus 5.6 percent a year ago. This compares slightly unfavorably with the state's rate of 6.6 percent and unfavorable with the national rate of 5.3 percent. These indicators were taken into account when adopting the general fund budget for fiscal year 2016. The general "operating" fund budget for 2016 is approximately \$26.5 million. Capital expenditures approved in the fiscal year 2015 capital budget were approximately \$269,145. The County has added no major new programs or initiatives to the 2016 budget. With the approval of the 2016 budget the County should continue to move in a positive direction. The 2016 budget was prepared with the continuation of the initiative to adequately fund departments. County Council recommended the County establish a goal of preparing a budget that will support the County's goal of establishing reserves to build a solid financial structure for future growth of County Services provided to its citizens.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our 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 Ernest Segars, Laurens County Administrator, Post Office Box 445, Laurens, SC 29360 or visit the County website at [www.laurenscountysc.org](http://www.laurenscountysc.org).

# LAURENS COUNTY, SOUTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS	Primary Government	Component Unit
	Governmental Activities	Laurens County Library
Cash and cash equivalents	\$ 5,510,631	\$ 40,576
Investments	5,591,359	20,176
Taxes receivable	1,851,851	-
Accounts receivable	596,299	-
Due from other governments	1,853,431	-
Due from component units	129,056	-
Prepaid expenses	-	24,888
Capital assets, non-depreciable	4,696,148	33,700
Capital assets, depreciable, net of accumulated depreciation	65,223,335	769,927
Total assets	85,452,110	889,267
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Changes in proportion and differences between County contributions and proportionate share of contributions	624,278	-
County contributions subsequent to the measurement date	1,453,583	-
Total deferred outflows of resources	2,077,861	-
<b>LIABILITIES</b>		
Accounts payable	990,562	5,468
Accrued liabilities	777,881	854
Due to other governments	93,166	-
Due to primary government	-	129,056
Unearned revenues	105,258	-
Other liabilities	7,276,724	3,774
Capital leases due within one year	739,030	-
Capital leases due in more than one year	1,656,686	-
Bonds payable due within one year	1,869,434	-
Bonds payable due in more than one year	9,892,986	-
Compensated absences due within one year	556,866	-
Compensated absences due in more than one year	139,217	-
Closure and postclosure care cost	-	-
Net pension liability	22,525,638	-
Total liabilities	46,623,448	139,152
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Net difference between projected and actual earning on pension plan investments	2,165,534	-
Total deferred inflows of resources	2,165,534	-
<b>NET POSITION</b>		
Net investment in capital assets	55,761,347	803,627
Restricted for:		
Family services	12,385	-
Detention center	314,878	-
Debt service	998,740	-
Public safety	1,225,092	-
Emergency medical service	310	-
Capital outlay	3,930,828	-
Unrestricted	(23,502,591)	(53,512)
Total net position	\$ 38,740,989	\$ 750,115

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

# LAURENS COUNTY, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 11,546,406	\$ 1,707,389	\$ 3,871,255	\$ -
Judicial	1,352,340	-	-	-
Public safety	15,720,166	4,027,265	240,713	225,076
Public works	7,540,111	1,875,978	26,349	1,862,999
Health and welfare	340,357	-	-	-
Culture and recreation	941,566	-	-	-
Housing and development	2,075,543	-	-	857,924
Interest on long-term debt	575,565	-	-	-
Total governmental activities	40,092,054	7,610,632	4,138,317	2,945,999
Total primary government	\$ 40,092,054	\$ 7,610,632	\$ 4,138,317	\$ 2,945,999
 <b>Component unit:</b>				
Laurens County Library	\$ 826,697	\$ 53,257	\$ 770,528	\$ -
Total component unit	\$ 826,697	\$ 53,257	\$ 770,528	\$ -

General revenues:

Property taxes

Unrestricted investment earnings

Gain on sale of assets

Total general revenues

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

<b>Net (Expense) Revenue and Changes in Net Position</b>		<b>Component Unit</b>	
<b>Governmental Activities</b>		<b>Laurens County Library</b>	
\$ (5,967,762)	\$	-	
(1,352,340)		-	
(11,227,112)		-	
(3,774,785)		-	
(340,357)		-	
(941,566)		-	
(1,217,619)		-	
(575,565)		-	
<u>(25,397,106)</u>		<u>-</u>	
<u>\$ (25,397,106)</u>	<u>\$</u>	<u>-</u>	
\$ -	\$	(2,912)	
<u>\$ -</u>	<u>\$</u>	<u>(2,912)</u>	
\$ 20,125,552	\$	-	
200,888		5	
801		-	
<u>20,327,241</u>		<u>5</u>	
(5,069,865)		(2,907)	
<u>43,810,854</u>		<u>753,022</u>	
<u>\$ 38,740,989</u>	<u>\$</u>	<u>750,115</u>	

# LAURENS COUNTY, SOUTH CAROLINA

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2015

ASSETS	General	Hillcrest Square	Nonmajor Governmental Funds	Total
Cash and cash equivalents	\$ 3,996,475	\$ -	\$ 1,514,156	\$ 5,510,631
Investments	5,591,359	-	-	5,591,359
Taxes receivable	1,471,686	-	380,165	1,851,851
Accounts receivable	580,700	463	15,136	596,299
Due from other funds	292,934	1,833,873	3,098,372	5,225,179
Due from other governments	1,833,236	-	20,195	1,853,431
Due from component unit	129,056	-	-	129,056
Total assets	<u>\$ 13,895,446</u>	<u>\$ 1,834,336</u>	<u>\$ 5,028,024</u>	<u>\$ 20,757,806</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 565,234	\$ 100,587	\$ 324,741	\$ 990,562
Accrued expenses	590,147	-	6,706	596,853
Due to other funds	4,932,245	-	292,934	5,225,179
Due to other governments	72,971	-	20,195	93,166
Unearned revenue	97,904	-	7,354	105,258
Total liabilities	<u>6,258,501</u>	<u>100,587</u>	<u>651,930</u>	<u>7,011,018</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue - property taxes	1,430,599	-	367,300	1,797,899
Total deferred inflow of resources	<u>1,430,599</u>	<u>-</u>	<u>367,300</u>	<u>1,797,899</u>
<b>FUND BALANCES</b>				
Restricted for:				
Family services	12,385	-	-	12,385
Detention center	314,878	-	-	314,878
Debt service	-	-	998,740	998,740
Public safety	132,682	-	1,092,410	1,225,092
Emergency medical service	310	-	-	310
Capital outlay	-	1,733,749	2,197,079	3,930,828
Committed for:				
Demolition projects	39,959	-	-	39,959
Parks and recreation	65,739	-	-	65,739
Budgetary stabilization	523,733	-	-	523,733
Capital outlay	48,828	-	-	48,828
Assigned for:				
Computer upgrades	3,171	-	-	3,171
Unassigned (deficit)	5,064,661	-	(279,435)	4,785,226
Total fund balances	<u>6,206,346</u>	<u>1,733,749</u>	<u>4,008,794</u>	<u>11,948,889</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 13,895,446</u>	<u>\$ 1,834,336</u>	<u>\$ 5,028,024</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	69,919,483
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,797,899
Deferred outflows of resources are not due and payable in the current period and therefore are not reported in governmental funds.	2,077,861
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(37,560,885)
The net OPEB obligation is not due and payable in the current period and, therefore, is not reported in governmental funds.	(7,276,724)
Deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments are not available to pay for current resources and therefore are not reported in the governmental funds.	(2,165,534)

Net position of governmental activities \$ 38,740,989

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

# LAURENS COUNTY, SOUTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Hillcrest Square	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Property taxes	\$ 14,951,251	\$ -	\$ 4,453,901	\$ 19,405,152
Licenses and permits	389,058	-	-	389,058
Intergovernmental	4,487,713	-	2,561,603	7,049,316
Charges for services	6,040,994	-	-	6,040,994
Fines and forfeitures	975,066	-	118,121	1,093,187
Interest	37,053	6,946	156,889	200,888
Other revenues	87,368	-	25	87,393
Total revenues	26,968,503	6,946	7,290,539	34,265,988
<b>Expenditures:</b>				
Current:				
General government	8,199,521	-	-	8,199,521
Judicial	1,352,340	-	-	1,352,340
Public safety	11,797,230	-	2,648,573	14,445,803
Public works	3,535,735	-	-	3,535,735
Health and welfare	304,106	-	-	304,106
Culture and recreation	916,520	-	-	916,520
Housing and development	1,134,399	-	941,144	2,075,543
Capital outlay	-	1,825,833	2,376,256	4,202,089
Debt service:				
Principal	1,025,788	-	1,397,988	2,423,776
Interest	145,180	-	384,799	529,979
Total expenditures	28,410,819	1,825,833	7,748,760	37,985,412
Deficiency of revenues under expenditures	(1,442,316)	(1,818,887)	(458,221)	(3,719,424)
<b>Other financing sources (uses):</b>				
Proceeds from sale of assets	801	-	-	801
Bond issuance	-	-	676,042	676,042
Transfers in	178,449	-	548,165	726,614
Transfers out	(548,165)	-	(178,449)	(726,614)
Total other financing sources (uses)	(368,915)	-	1,045,758	676,843
Net change in fund balances	(1,811,231)	(1,818,887)	587,537	(3,042,581)
<b>Fund balances, beginning of year</b>	8,017,577	3,552,636	3,421,257	14,991,470
<b>Fund balances, end of year</b>	\$ 6,206,346	\$ 1,733,749	\$ 4,008,794	\$ 11,948,889

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

# LAURENS COUNTY, SOUTH CAROLINA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Net change in fund balances - total governmental funds	\$ (3,042,581)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.	(3,142,288)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	35,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unearned revenues increased during the year by this amount.	720,400
The issuance of long-term debt (i.e., 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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,747,734
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(1,388,130)</u>
Change in net position of governmental activities	<u>\$ (5,069,865)</u>

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

# LAURENS COUNTY, SOUTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP) BASIS AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 14,471,997	\$ 14,471,997	\$ 14,951,251	\$ 479,254
Licenses and permits	369,900	369,900	389,058	19,158
Intergovernmental	4,328,490	4,328,490	4,487,713	159,223
Charges for services	6,027,202	6,027,202	6,040,994	13,792
Fines and forfeitures	1,030,000	1,030,000	975,066	(54,934)
Interest income	25,000	25,000	37,053	12,053
Miscellaneous	69,000	69,000	87,368	18,368
Total revenues	26,321,589	26,321,589	26,968,503	646,914
<b>Expenditures:</b>				
<b>Current:</b>				
General government:				
Administrative	325,018	325,018	309,627	15,391
County attorney	115,780	115,780	116,101	(321)
Tax assessor	374,713	374,713	357,348	17,365
Auditor	452,797	452,797	408,777	44,020
Contingency	145,000	145,000	127,461	17,539
County council	103,602	103,602	101,683	1,919
Finance	166,994	166,994	164,823	2,171
Human resources	124,973	124,973	123,290	1,683
Registration and elections	186,034	186,034	226,485	(40,451)
Treasurer	391,833	391,833	361,833	30,000
Purchasing	72,951	72,951	69,351	3,600
Risk management	40,592	40,592	39,091	1,501
Benefits and insurance	4,790,672	4,790,672	5,214,498	(423,826)
Equipment	263,350	263,350	471,381	(208,031)
Miscellaneous	108,100	108,100	107,772	328
Total general government	7,662,409	7,662,409	8,199,521	(537,112)
Judicial:				
Clerk of court	684,519	684,519	628,385	56,134
Magistrate court	451,289	451,289	447,621	3,668
Probate court	257,883	257,883	249,793	8,090
Judicial grants	30,000	30,000	26,541	3,459
Total judicial	1,423,691	1,423,691	1,352,340	71,351

(Continued)

# LAURENS COUNTY, SOUTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP) BASIS AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Expenditures: (Continued)	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Current: (Continued)</b>				
Public safety:				
Emergency operations	\$ 871,667	\$ 871,667	\$ 825,263	\$ 46,404
Coroner	154,317	154,317	146,181	8,136
Detention center	3,003,927	3,003,927	3,067,854	(63,927)
Public safety grants	1,500	1,500	1,541	(41)
E911	542,528	542,528	450,555	91,973
Emergency management services	3,484,458	3,484,458	3,316,440	168,018
Emergency management	92,352	92,352	81,870	10,482
Sheriff	3,914,767	3,914,767	3,907,526	7,241
Total public safety	12,065,516	12,065,516	11,797,230	268,286
Public works:				
Building and grounds	746,504	746,504	747,554	(1,050)
Public works	146,800	146,800	141,281	5,519
Roads and bridges	794,202	794,202	703,638	90,564
Landfill	963,301	963,301	994,743	(31,442)
Rural collections	956,126	956,126	948,519	7,607
Total public works	3,606,933	3,606,933	3,535,735	71,198
Health and welfare:				
Health department	14,250	14,250	12,939	1,311
Social services	16,026	16,026	163,301	(147,275)
Veterans affairs	135,008	135,008	127,866	7,142
Total health and welfare	165,284	165,284	304,106	(138,822)
Culture and recreation:				
Libraries	667,152	667,152	634,729	32,423
Parks and recreation	186,664	186,664	281,791	(95,127)
Total culture and recreation	853,816	853,816	916,520	(62,704)
Housing and development:				
Airport	82,395	82,395	136,918	(54,523)
Clemson extension	34,800	34,800	34,492	308
Inspections	355,882	355,882	345,906	9,976
Local government assistance	355,650	355,650	355,581	69
Special appropriations	57,200	57,200	53,350	3,850
Technical education	-	-	208,152	(208,152)
Total housing and development	885,927	885,927	1,134,399	(248,472)

(Continued)

**LAURENS COUNTY, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET (GAAP) BASIS AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures: (Continued)</b>				
<b>Current: (Continued)</b>				
Debt service:				
Principal	\$ 377,184	\$ 377,184	\$ 1,025,788	\$ (648,604)
Interest	18,784	18,784	145,180	(126,396)
Total debt service	<u>395,968</u>	<u>395,968</u>	<u>1,170,968</u>	<u>(775,000)</u>
Total expenditures	<u>27,059,544</u>	<u>27,059,544</u>	<u>28,410,819</u>	<u>(1,351,275)</u>
Deficiency of revenues under expenditures	<u>(737,955)</u>	<u>(737,955)</u>	<u>(1,442,316)</u>	<u>(704,361)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of assets	-	-	801	801
Transfers in	-	-	178,449	178,449
Transfers out	-	-	(548,165)	(548,165)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(368,915)</u>	<u>(368,915)</u>
Net change in fund balances	(737,955)	(737,955)	(1,811,231)	(1,073,276)
<b>Fund balance, beginning of year</b>	<u>8,017,577</u>	<u>8,017,577</u>	<u>8,017,577</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 7,279,622</u>	<u>\$ 7,279,622</u>	<u>\$ 6,206,346</u>	<u>\$ (1,073,276)</u>

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

**LAURENS COUNTY, SOUTH CAROLINA**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

**JUNE 30, 2015**

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<b>ASSETS</b>	<b>Agency Funds</b>
Cash	\$ 21,310,804
Taxes receivable	<u>4,406,200</u>
Total assets	<u><u>\$ 25,717,004</u></u>
<b>LIABILITIES</b>	
Due to others	\$ 21,310,804
Uncollected taxes	<u>4,406,200</u>
Total liabilities	<u><u>\$ 25,717,004</u></u>

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

# LAURENS COUNTY, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Laurens County, South Carolina (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 more significant of the government's accounting policies are described below.

#### A. Reporting Entity

Laurens County, South Carolina (the County) operates under a council form of government. For financial statement purposes, the County has divided its operations into the functions of the general government, judicial services, public safety, public works, health and welfare, culture and recreation, and economic development. The County is a political subdivision of the State of South Carolina. A seven member council elected from single-member districts govern it. These financial statements present all the fund types of the County.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational and financial relationship with the County.

Component units may be presented by two different methods. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the County. The component unit discussed below is included in the County's reporting entity because of the significance of their operational or financial relationship with the County.

The board of the **Laurens Public Library** (the "Library") oversees the operations of the County library. The Library is governed by a seven member Board of Trustees appointed by the County Council. The Library is fiscally dependent upon the primary government. Separate financial statements for the Library were not prepared.

# LAURENS COUNTY, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, intergovernmental grants, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

The **Hillcrest Square Fund** is a capital projects fund used to account for the construction of a new County administration building.

Additionally, the County reports the following fund types:

The **special revenue funds** account for revenue sources that are legally restricted or committed for expenditures of specific purposes.

The **debt service funds** account for the accumulation of resources for, and the payment of, general-long term debt principal and interest.

The **capital project funds** account for the acquisition or construction of capital facilities.

The **agency funds** are used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and/or other funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as *program revenues* include 1) charges for services 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.

#### D. Cash, Cash Equivalents and Investments

The County and the discretely presented component unit's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County and the discretely presented component unit to invest in obligations of the United States and agencies thereof; general obligations of the State of South Carolina or any of its political units; financial institutions to the extent that the same are insured by an agency of the federal government; certificates of deposit where the certificates are collaterally secured by securities of the type described previously and held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit 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; repurchase agreements when collateralized by securities as set forth in this section; and 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 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 investment is made (i) is limited to obligations described in the section, 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.

Investments are stated at fair value; except repurchase agreements and U.S. Government agencies that have a maturity at the time of purchase of one year or less are shown at cost.

The County Treasurer pools cash and time deposits for some of the funds. Separate fund balance accounts are maintained for accounting purposes so that the equity of each fund is properly reflected in the overall cash. Interest earned is distributed to funds based on their average fund balances for the fiscal year. The purpose of pooling funds is to obtain maximum return of interest through the investment of funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. For the most part, the effect of interfund activity has been removed from the government-wide statement of net position. In the fund financial statements, these receivables and payables are classified as “due from other funds” or “due to other funds”.

#### F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. In accordance with GASB 34, infrastructure assets acquired after June 30, 1980 have been capitalized. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of assets constructed. No interest expense was capitalized during the fiscal year ended June 30, 2015.

Capital assets of the primary government are depreciated using the straight line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings	30
Equipment	3 - 10
Infrastructure	30

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has two of these items relating to the County's Retirement Plan and is reported in the government-wide statement of net position. Experience gains or losses result from periodic studies by the County's actuary, which adjust the net position liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. Additionally, any contributions made by the County to the pension plan before year end but subsequent to the measurement date of the County's net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category, one of which arises only under a modified accrual basis of accounting. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, seized property, intergovernmental, and the forfeited land commission and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The other item relates to the County's Retirement Plan and is reported in the government-wide statements of net position. The differences between projected investment return on pension investments and actual return on those investments are deferred and amortized against pension expense over a five year period, resulting in recognition as deferred inflows of resources.

#### I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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 bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Long-Term Obligations (Continued)

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

#### J. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when the employees separate from service with the County. All vacation pay is accrued when incurred in the government-wide financial statements. Employees are required to take the equivalent of at least one work week of annual leave per year. Accumulated annual leave time may be carried over from one calendar year to the next, subject to a maximum of thirty days. Upon leaving the County's employment, the maximum payout of accrued leave shall not exceed thirty days. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### K. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. Fund Equity (Continued)

- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the County Council through the adoption of a resolution. Only the County Council may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the County Commission has authorized the County Administrator to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**Net Position** – Net position represents the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Management 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$37,560,885 difference are as follows:

Bonds payable	\$ (11,762,420)
Capital leases	(2,395,716)
Accrued interest	(181,028)
Net pension liability	(22,525,638)
Compensated absences	<u>(696,083)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (37,560,885)</u></u>

Another element of that reconciliation states the “Deferred outflows of resources are not due and payable in the current period and therefore are not reported in governmental funds.” The details of this \$2,077,861 difference are as follows:

Changes in proportion and differences between County contributions and proportionate share of contributions	\$ 624,278
County contributions subsequent to the measurement date	<u>1,453,583</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 2,077,861</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$3,142,288 difference are as follows:

Capital outlay	\$ 2,300,710
Depreciation expense	(5,442,998)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (3,142,288)</u>

Another element of that reconciliation explains that “the issuance of long-term debt 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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,747,734 difference are as follows:

General obligation bonds issued	\$ (676,042)
Principal repayment - general obligation bonds	1,700,012
Principal repayment - capital leases	<u>723,764</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,747,734</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

#### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds". The details of this \$1,388,130 difference are as follows:

Compensated absences	\$ (178,688)
Net pension liability	(267,266)
Net OPEB obligation	(896,590)
Accrued interest	<u>(45,586)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (1,388,130)</u>

### NOTE 3. BUDGETARY ACCOUNTING AND REPORTING

#### A. Budgetary Policies

On or before March 1 of each year, all agencies of the County submit requests for appropriation to the County Administrator so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year and current year estimates.

Before April 1, the proposed budget is presented to the County Council for review. The County Council holds public hearings and may add to, subtract from or change appropriations. Any changes in the budget must be within the revenues and reserves estimated as available by the County Administrator. The revenue estimates must be changed by an affirmative vote of majority of the County Council. Department heads may make budget transfers within their department's budgets. Transfers from one department to another require County Council approval. The legal level of budgetary control is the department level. The other special revenue funds are budgeted as grants are awarded and are budgeted on a project basis; therefore, some grants span several years. The capital projects funds are budgeted on a project basis and some projects span several years.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. BUDGETARY ACCOUNTING AND REPORTING (CONTINUED)

#### B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2015, expenditures exceeded as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
County attorney	\$ 321
Registration and elections	40,451
Benefits and insurance	423,826
Equipment	208,031
Detention center	63,927
Public safety grants	41
Buildings and grounds	1,050
Landfill	31,442
Social services	147,275
Parks and recreation	95,127
Airport	54,523
Technical education	208,152
Debt service	775,000

### NOTE 4. DEPOSITS AND INVESTMENTS

**Credit risk.** The County's investment policy parallels state law and has no restrictions that would further limit its investment choices other than state law. As of June 30, 2015, the underlying security ratings of the County's investment in the South Carolina Local Government Investment Pool may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by writing to the following address:

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

The County's investments in U.S. Government Agency Obligations consist of Federal National Mortgage Association obligations and the investment in government security mutual funds consists of a Federated Government Obligations Tax-Managed Fund, both of which are rated "A" or better by Moody's Investors Services and Standard & Poor's.

At June 30, 2015, the County had the following investments:

Investments	Maturities	Rating	Fair Value
<b>Primary government:</b>			
Certificates of deposit	3 year weighted average	N/A	\$ 5,591,359
<b>Component unit: Laurens County Library</b>			
Certificates of deposit	59 day average	N/A	20,176
Total investments			\$ 5,611,535

**Interest rate risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Custodial credit risk – Deposits.** The County does not have a formal custodial credit risk policy. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2015, none of the County or Library deposits were exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. RECEIVABLES

Receivables at June 30, 2015, for the County's individual major funds and nonmajor funds in the aggregate, are as follows:

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
Receivables:			
Taxes	\$ 1,502,165	\$ 387,923	\$ 1,890,088
Accounts	1,348,569	15,136	1,363,705
Gross receivables	2,850,734	403,059	3,253,793
Less allowance for uncollectibles	798,348	7,758	806,106
Net receivables	\$ 2,052,386	\$ 395,301	\$ 4,059,899

Property taxes are levied on the assessed value of real and personal property, excluding automobiles, as of December 31, of the calendar year preceding the fiscal year. The levy date for automobiles is the first day of the month in which the vehicle license expires and the tax is due by the end of the same month. Liens attach to the property at the time taxes are levied. Taxes are due, without penalty, for real and personal property, excluding automobiles, through January 15. After that time, penalties are added depending on the date paid as follows:

January 16 through February 1	3% of tax
February 2 through March 16	10% of tax
March 17 and thereafter	15% of tax

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

The County's capital asset activity for the fiscal year ended June 30, 2015 was as follows:

#### A. Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,870,315	\$ -	\$ -	\$ 2,870,315
Construction in progress	267,658	1,825,833	(267,658)	1,825,833
Total capital assets, not being depreciated	<u>3,137,973</u>	<u>1,825,833</u>	<u>(267,658)</u>	<u>4,696,148</u>
Capital assets, being depreciated:				
Buildings	25,137,687	319,917	-	25,457,604
Equipment	17,718,247	457,618	(22,063)	18,153,802
Infrastructure	113,850,390	-	-	113,850,390
Total capital assets, being depreciated	<u>156,706,324</u>	<u>777,535</u>	<u>(22,063)</u>	<u>157,461,796</u>
Less accumulated depreciation for:				
Buildings	(7,768,723)	(547,178)	-	(8,315,901)
Equipment	(11,154,830)	(1,213,684)	22,063	(12,346,451)
Infrastructure	(67,893,973)	(3,682,136)	-	(71,576,109)
Total accumulated depreciation	<u>(86,817,526)</u>	<u>(5,442,998)</u>	<u>22,063</u>	<u>(92,238,461)</u>
Total capital assets, being depreciated, net	<u>69,888,798</u>	<u>(4,665,463)</u>	<u>-</u>	<u>65,223,335</u>
Governmental activities capital assets, net	<u>\$ 73,026,771</u>	<u>\$ (2,839,630)</u>	<u>\$ (267,658)</u>	<u>\$ 69,919,483</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 298,229
Public safety	1,429,561
Public works	3,638,185
Health and welfare	36,251
Culture and recreation	40,772
Total depreciation expense - governmental activities	<u>\$ 5,442,998</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

#### B. Discretely Presented Component Unit – Laurens County Library

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 33,700	\$ -	\$ -	\$ 33,700
Total capital assets, not being depreciated	<u>33,700</u>	<u>-</u>	<u>-</u>	<u>33,700</u>
Capital assets, being depreciated:				
Buildings	1,312,952	-	-	1,312,952
Equipment and books	1,305,947	116,336	-	1,422,283
Total capital assets, being depreciated	<u>2,618,899</u>	<u>116,336</u>	<u>-</u>	<u>2,735,235</u>
Less accumulated depreciation for:				
Buildings	(656,476)	(26,259)	-	(682,735)
Equipment and books	(1,177,982)	(104,591)	-	(1,282,573)
Total accumulated depreciation	<u>(1,834,458)</u>	<u>(130,850)</u>	<u>-</u>	<u>(1,965,308)</u>
Total capital assets, being depreciated, net	<u>784,441</u>	<u>(14,514)</u>	<u>-</u>	<u>769,927</u>
Laurens County Library capital assets, net	<u>\$ 818,141</u>	<u>\$ (14,514)</u>	<u>\$ -</u>	<u>\$ 803,627</u>

### NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 9,879,262	\$ -	\$ (795,455)	\$ 9,083,807	\$ 819,434
Special source revenue bonds	2,907,128	676,042	(904,557)	2,678,613	1,050,000
Total bonds payable	<u>12,786,390</u>	<u>676,042</u>	<u>(1,700,012)</u>	<u>11,762,420</u>	<u>1,869,434</u>
Capital leases payable	3,119,480	-	(723,764)	2,395,716	739,030
Compensated absences	517,395	456,058	(277,370)	696,083	556,866
Net pension liability	23,815,343	2,345,127	(3,634,832)	22,525,638	-
Net OPEB obligation	6,380,134	1,389,390	(492,800)	7,276,724	-
Governmental activities long-term liabilities	<u>\$ 46,618,742</u>	<u>\$ 4,866,617</u>	<u>\$ (6,828,778)</u>	<u>\$ 44,656,581</u>	<u>\$ 3,165,330</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

**General Obligation Bonds.** The County issued general obligation bonds to provide funds for the construction and improvements of major capital facilities. These bonds are direct and general obligations of the County. General obligation bonds have been issued for general government activities and are reported in the governmental activities column of the government-wide statements.

General obligation bonds outstanding at June 30, 2015, are as follows:

	Interest Rates	Balance June 30, 2015
2007 General Obligation Issue	4.09%	\$ 27,107
2010 General Obligation Issue	2.00% - 4.00%	5,690,000
2013 General Obligation Issue	2.30%	3,366,700
		\$ 9,083,807

General Obligation Bonds, Series 2007, \$125,000 Principal

During the fiscal year ended June 30, 2007, the County issued bonds in the amount of \$125,000. The bonds bear interest at 4.09% with final maturity in 2017. The proceeds from the sale of the bonds will be used for the purpose of (i) paving of private roads therein known as Tiffany Lane and Allison Drive and (ii) paying all or a portion of the costs of issuance of the bonds. The County has imposed an ad valorem tax, without limit, on the Lakeview District sufficient in amount to pay the principal and interest on the bond.

General Obligation Bonds, Series 2010, \$6,400,000 Principal

During the fiscal year ended June 30, 2011, the County issued bonds in the amount of \$6,400,000. The bonds bear interest ranging from 2% to 4% with final maturity in 2025. The proceeds from the sale of the bonds will be used for the purpose of (i) financing the costs of the renovation and expansion of the County detention center and (ii) paying all or a portion of the costs of issuance of the bonds. The County has imposed an ad valorem tax, without limit, on all taxable property in the County sufficient in amount to pay the principal and interest on the bond.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### General Obligation Bonds (Continued)

##### General Obligation Bonds, Series 2013, \$3,700,000 Principal

During the fiscal year ended June 30, 2014, the County issued bonds in the amount of \$3,700,000. The bonds bear interest at 2.30% with final maturity in 2024. The proceeds from the sale of the bonds will be used for the purpose of (i) defraying the cost of capital improvements of the County and (ii) paying all or a portion of the costs of issuance of the bonds. The County has imposed an ad valorem tax, without limit, on all taxable property in the County sufficient in amount to pay the principal and interest on the bonds.

General obligation bonds debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2016	\$ 819,434	\$ 261,756	\$ 1,081,190
2017	847,447	242,154	1,089,601
2018	861,831	219,025	1,080,856
2019	895,038	195,668	1,090,706
2020	923,434	171,372	1,094,806
2021-2025	4,736,623	522,675	5,259,298
	<u>\$ 9,083,807</u>	<u>\$ 1,612,650</u>	<u>\$ 10,696,457</u>

**Special Source Revenue Bonds.** The County also issued special source revenue bonds where the County pledges income derived from fees in lieu of taxes to pay debt service. Special source revenue bonds have been issued for economic development activities and are also reported in the governmental activities column of the government-wide statements.

Special source revenue bonds outstanding at June 30, 2015, are as follows:

	Interest Rates	Balance June 30, 2015
2010 Special Source Issue	4.85%	\$ <u>2,678,613</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Special Source Revenue Bonds (Continued)

##### Special Source Revenue Bonds, Series 2004, \$2,500,000 Principal

During the fiscal year ended June 30, 2004, the County issued \$2,500,000 in Special Source Revenue Bonds, Series 2004 with an interest rate of 4.25%. The County issued the bonds for the purpose of providing economic development incentives to construct a manufacturing facility in the County and paying the cost of issuing the Series 2004 bonds. The bonds are limited obligations of the County and are payable solely from fees in lieu of ad valorem taxes.

##### Special Source Revenue Bonds, Series 2010, \$3,000,000 Principal

During the fiscal year ended June 30, 2010, the County issued \$3,000,000 in Special Source Revenue Bonds, Series 2010 with an interest rate of 4.85%. The County issued the bonds for the purpose of providing economic development incentives to construct a manufacturing facility in the County and paying the cost of issuing the Series 2010 bonds. The bonds are limited obligations of the County and are payable solely from fees in lieu of ad valorem taxes.

Special source revenue bonds debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2016	\$ 1,050,000	\$ 126,569	\$ 1,176,569
2017	1,628,613	74,497	1,703,110
	\$ 2,678,613	\$ 201,066	\$ 2,879,679

**Capital Leases.** The County has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of leased assets under capital leases as of June 30, 2015:

	<b>Governmental Activities</b>
Equipment	\$ 4,435,049
Less: Accumulated depreciation	(1,405,351)
	\$ 3,029,698

The County recorded depreciation expense of \$421,498 in the fiscal year ended June 30, 2015 on assets under capital leases.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### Capital Leases (Continued)

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of June 30, 2015:

Fiscal year ending June 30,	Principal	Interest	Total
2016	\$ 739,030	\$ 56,738	\$ 795,768
2017	513,001	41,096	554,097
2018	372,196	27,564	399,760
2019	381,166	18,594	399,760
2020	390,323	9,407	399,730
	\$ 2,395,716	\$ 153,399	\$ 2,549,115

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

#### Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 292,934
Hillcrest Square Fund	General Fund	1,833,873
Nonmajor Governmental Funds	General Fund	3,098,372
		\$ 5,225,179

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

**Interfund Transfers:**

Transfers Out	Transfers In		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 548,165	\$ 548,165
Nonmajor Governmental Funds	178,449	-	178,449
Total	\$ 178,449	\$ 548,165	\$ 726,614

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### NOTE 9. EMPLOYEE BENEFITS

**Retirement Plan**

*Overview:*

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Plan Description:*

The County contributes to the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan. The 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.

In addition to the SCRS pension plan, the County also contributes to the South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan. The 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 described below.

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

**South Carolina Police Officers Retirement System.** 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (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.

**South Carolina Retirement System.** A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

**South Carolina Police Officers Retirement System.** 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

##### *Benefits (Continued):*

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

##### *Contributions:*

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

Required employee contribution rates for the year ended June 30, 2015 are as follows:

#### **South Carolina Retirement System**

Employee class two	8.00% of earnable compensation
Employee class three	8.00% of earnable compensation

#### **South Carolina Police Officers Retirement System**

Employee class one	\$21 per month
Employee class two	8.41% of earnable compensation
Employee class three	8.41% of earnable compensation

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Contributions (Continued):*

Required employer contribution rates for the year ended June 30, 2015 are as follows:

#### South Carolina Retirement System

Employer class two	10.75% of earnable compensation
Employer class three	10.75% of earnable compensation
Employer incidental death benefit	0.15% of earnable compensation

#### South Carolina Police Officers Retirement System

Employer class one	7.80% of earnable compensation
Employer class two	13.01% of earnable compensation
Employer class three	13.01% of earnable compensation
Employer incidental death benefit	0.20% of earnable compensation
Employer accidental death program	0.20% of earnable compensation

*Net Pension Liability:*

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the systems' consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67, less that system's fiduciary net position. As of June 30, 2014, the County's net pension liability amounts for SCRS and PORS are as follows:

<b>System</b>	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employers' Net Pension Liability</b>	<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>
SCRS	\$ 35,028,682	\$ 20,988,992	\$ 14,039,690	59.9%
PORS	\$ 26,150,254	\$ 17,664,306	\$ 8,485,948	67.5%

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Net Pension Liability (Continued):*

As of June 30, 2014, the change in the County's net pension liability for the SCRS Plan is calculated as follows:

<b>Total pension liability</b>	
Service cost	\$ 602,650
Interest	2,463,538
Difference between actual and expected experience	520,877
Benefit payments	<u>(2,096,613)</u>
<b>Net change in total pension liability</b>	<b>1,490,452</b>
<b>Total pension liability - beginning June 30, 2013</b>	<b><u>33,538,230</u></b>
<b>Total pension liability - ending June 30, 2014</b>	<b><u>35,028,682</u></b>
<b>Plan fiduciary net position</b>	
Contributions - employer	785,133
Contributions - member	532,201
Refunds of contributions to members	(73,597)
Retirement benefits	(2,007,327)
Death benefits	(15,690)
Net investment income	2,868,273
Administrative expense	(9,594)
Net transfers to affiliated systems	<u>(2,014)</u>
<b>Net change in Plan fiduciary net position</b>	<b>2,077,385</b>
<b>Plan fiduciary net position - beginning June 30, 2013</b>	<b><u>18,911,607</u></b>
<b>Plan fiduciary net position - ending June 30, 2014</b>	<b><u>20,988,992</u></b>
<b>Net pension liability</b>	<b><u>\$ 14,039,690</u></b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Net Pension Liability (Continued):*

As of June 30, 2014, the change in the County's net pension liability for the PORS Plan is calculated as follows:

<b>Total pension liability</b>	
Service cost	\$ 663,142
Interest	1,852,606
Difference between actual and expected experience	285,178
Benefit payments	(1,470,663)
<b>Net change in total pension liability</b>	<u>1,330,263</u>
<b>Total pension liability - beginning June 30, 2013</b>	<u>24,819,991</u>
<b>Total pension liability - ending June 30, 2014</b>	<u>26,150,254</u>
<b>Plan fiduciary net position</b>	
Contributions - employer	689,748
Contributions - member	425,548
Refunds of contributions to members	(71,735)
Retirement benefits	(1,381,168)
Death benefits	(17,760)
Net investment income	2,386,447
Administrative expense	(8,126)
Net transfers to affiliated systems	10,019
<b>Net change in Plan fiduciary net position</b>	<u>2,032,973</u>
<b>Plan fiduciary net position - beginning June 30, 2013</b>	<u>15,631,333</u>
<b>Plan fiduciary net position - ending June 30, 2014</b>	<u>17,664,306</u>
<b>Net pension liability</b>	<u><u>\$ 8,485,948</u></u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (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. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013 valuations for SCRS and PORS.

Actuarial cost method	SCRS Entry Age	PORS Entry Age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

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.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Actuarial Assumptions and Methods (Continued):*

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return 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.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Short Term	<b>5.0%</b>		
Cash	2.0%	0.3	0.01
Short duration	3.0%	0.6	0.02
Domestic Fixed Income	<b>13.0%</b>		
Core fixed income	7.0%	1.1	0.08
High yield	2.0%	3.5	0.07
Bank loans	4.0%	2.8	0.11
Global Fixed Income	<b>9.0%</b>		
Global fixed income	3.0%	0.8	0.02
Emerging markets debt	6.0%	4.1	0.25
Global Public Equity	<b>31.0%</b>	7.8	2.42
Global Tactical Asset Allocation	<b>10.0%</b>	5.1	0.51
Alternatives	<b>32.0%</b>		
Hedge funds (low beta)	8.0%	4	0.32
Private debt	7.0%	10.2	0.71
Private equity	9.0%	10.2	0.92
Real estate (broad market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
	<hr/> <b>100.0%</b> <hr/>		
Total expected real return			5.88
Inflation for actuarial purposes			2.75
Total expected nominal return			<hr/> <b>8.63</b> <hr/>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (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. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

<b>Sensitivity of the Net Position Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
County's portion - SCRS	\$ 18,168,228	\$ 14,039,690	\$ 10,595,305
County's portion - PORS	\$ 11,858,812	\$ 8,485,948	\$ 5,695,079

##### *Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:*

For the year ended June 30, 2015, the County recognized pension expense of \$208,458 for the SCRS plan and \$58,808 for the PORS plan.

At June 30, 2015 the County reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

<b>SCRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (1,183,648)
Changes in proportion and differences between County contributions and proportionate share of contributions	397,826	-
County contributions subsequent to the measurement date	775,187	-
Total	\$ 1,173,013	\$ (1,183,648)

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9. EMPLOYEE BENEFITS (CONTINUED)

#### Retirement Plan (Continued)

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):*

<b>PORS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (981,886)
Changes in proportion and differences between County contributions and proportionate share of contributions	226,452	-
County contributions subsequent to the measurement date	678,396	-
Total	\$ 904,848	\$ (981,886)

County contributions subsequent to the measurement date of \$775,187 and \$678,396 for the SCRS plan and the PORS plan, respectively, are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b>SCRS</b>	<b>PORS</b>
2016	\$ 172,860	\$ 186,744
2017	172,860	186,744
2018	172,860	186,744
2019	267,240	195,204

#### *Pension Plan Fiduciary Net Position:*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 9. EMPLOYEE BENEFITS (CONTINUED)**

#### **Deferred Compensation Plan**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered and controlled by the State of South Carolina. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Great-West Retirement Services, P. O. Box 173764, Denver CO 80217-3764, (under state contract) is the program administrator of the 457 plan as well as the 401(k) plan and 401(k) Roth plan which are also available to County employees at their option.

### **NOTE 10. OTHER POSTEMPLOYMENT BENEFITS**

#### **Plan Description**

In addition to providing pension benefits, the County provides certain post-employment health care benefits for eligible retired employees and their dependents. The coverage is optional and not all retirees participate. Employees retiring with 10 or more years of service, regardless of age, may elect to remain in the county health insurance group. Also, employees retiring with 15 years or more of service can remain in the county health insurance group at no charge to retiree. Individual coverage premiums and any spouse or family coverage must be paid by the retiree, as set forth by the State Health Plan in such amounts as may be in effect at the time of retirement. Upon Medicare eligibility, each retiree must convert to Medicare as their primary coverage, with supplemental coverage paid by the County for the retiree. Any spouse of a retiree may remain in the County plan until Medicare eligibility, provided all premiums are paid by the retiree. Spouses may be included in the supplement plan, with premiums paid by the retiree. Cash in lieu of coverage shall not be an option. Any deputized officer determined totally disabled as a result of the performance of his duties, shall qualify for these same benefits with 15 years of service regardless of age.

The County does not issue separate audited financial statements for this plan.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

#### Funding Policy and Annual OPEB Costs

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs 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 costs for the year, the amount actuarially contributed to the plan, and changes in the County's net OPEB obligation for the post-employment health insurance benefits:

Annual required employer contribution	\$ 1,362,515
Interest on net OPEB obligation	287,106
Adjustment to annual required contribution	(260,231)
Annual OPEB cost	1,389,390
Employer and retiree contributions for period ended June 30, 2015	492,880
Increase in net OPEB obligation	896,510
Net OPEB obligation beginning of year	6,380,134
Net OPEB obligation end of year	\$ 7,276,644

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

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
06/30/11	\$ 1,490,942	\$ 176,229	11.8 %	\$ 2,732,546
06/30/12	1,560,737	296,072	19.0	3,997,248
06/30/13	1,503,931	234,122	15.6	5,267,057
06/30/14	1,346,241	233,164	17.3	6,380,134
06/30/15	1,389,390	492,800	35.5	7,276,724

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

As of June 30, 2014, the most recent actuarial valuation date, the funded status of the OPEB Plan is as follows:

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
7/1/2014	\$ -	\$ 12,604,917	\$ 12,604,917	- %	\$ 11,761,601	107.2 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial liability.

#### **Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events well into the future. Examples would include assumptions about future employment, rates of retirement, mortality, and health care cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and 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.

Actuarial calculations reflect a long term perspective and employ methods and assumptions that are designed to reduce short term volatility in actuarial liabilities and the actuarial value of assets. In the June 30, 2014 actuarial valuation, the projected unit credit cost method was used. The UAAL amortization payment is the level percent-of-payroll required to fully amortize the UAAL over a 30 year period on a closed basis. The actuarial assumptions included 4.5% rate of investment return. The valuation assumes a 7.25% health care trend inflation rate for 2013 and, starting in 2014, decreases 0.25% each year until 2024; and thereafter 4.5% was assumed. Drug cost trend inflation is assumed to be 7.75% for 2013, decreasing to 7.25% for 2014, then, decreasing annually by 0.25% until 2024, thereafter assumed to be 4.5% per year. Dental cost trend inflation was assumed to be 3% annually.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 11. 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 natural disasters for which the County carries insurance through the State Budget and Control Board Office of Insurance Reserve Fund (the Fund). The County pays premiums to the Fund for its general insurance coverage. The agreement for formation of the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through commercial companies for each insured event. Additionally, the County participates in a self-funded program to provide workers' compensation insurance through the South Carolina Association of Counties, which works in a similar way as the Insurance Reserve Fund. The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### **NOTE 12. COMMITMENTS**

At June 30, 2015, the County had outstanding construction commitments totaling approximately \$1,035,837.

### **NOTE 13. CONTINGENT LIABILITIES**

The County participates in a number of federal and state assisted grant programs. These programs are subject to audits by grantors or their representatives. The audits of these programs for or including the year ended June 30, 2015, have not yet been conducted. Therefore, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

### **NOTE 14. LITIGATION**

The County is party to a number of lawsuits arising in the course of operations. It is the opinion of management, in consultation with legal counsel, that it cannot be determined whether resolution of the other pending cases will have a material adverse effect on the financial condition of the County.

### **NOTE 15. DEFICIT FUND BALANCE**

For the year ended June 30, 2015, the Victims' Assistance Fund has a deficit fund balance of \$103,959, the Special Source Revenue Bond Fund has a deficit fund balance of \$124,009, and the Detention Center Fund has a deficit fund balance of \$51,467. These deficits are expected to be reduced through transfers from the General Fund.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 16. CHANGE IN ACCOUNTING PRINCIPLE

The County has determined that restatements to the July 1, 2014 beginning net position of the County's governmental activities were required to recognize the change in accounting principle for implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, through which accounting for pension plans and the related disclosure requirements were modified.

This adjustment resulted in a change to the beginning net position of the County's governmental activities as follows:

Governmental activities net position, as previously reported	\$ 66,156,899
Adjustment needed to properly report net pension liability in SCRS	(14,626,623)
Adjustment needed to properly report the County's contributions to SCRS for 7/1/2013 - 6/30/2014 as deferred outflows of resources	784,756
Adjustment needed to properly report net pension liability in PORS	(9,188,720)
Adjustment needed to properly report the County's contributions to PORS for 7/1/2013 - 6/30/2014 as deferred outflows of resources	684,542
Governmental activities net position, as restated	<u>\$ 43,810,854</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# LAURENS COUNTY, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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<b>South Carolina Retirement System</b>	<b><u>2015</u></b>
County's proportion of the net pension liability	0.081547%
County's proportionate share of the net pension liability	\$ 14,039,690
County's covered-employee payroll	\$ 7,418,056
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.3%
Plan fiduciary net position as a percentage of the total pension liability	59.9%
<b>South Carolina Police Officers Retirement System</b>	<b><u>2015</u></b>
County's proportion of the net pension liability	0.44326%
County's proportionate share of the net pension liability	\$ 8,485,948
County's covered-employee payroll	\$ 5,525,694
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	153.6%
Plan fiduciary net position as a percentage of the total pension liability	67.5%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedule are disclosed in Note 9 to the financial statements.

# LAURENS COUNTY, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF COUNTY CONTRIBUTIONS

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<b>South Carolina Retirement System</b>	<b>2015</b>
Actuarially determined contribution	\$ 784,756
Contributions in relation to the actuarially determined contribution	<u>784,756</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	7,418,056
Contributions as a percentage of covered-employee payroll	10.58%
 <b>South Carolina Police Officers Retirement System</b>	 <b>2015</b>
Actuarially determined contribution	\$ 684,542
Contributions in relation to the actuarially determined contribution	<u>684,542</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	5,525,694
Contributions as a percentage of covered-employee payroll	12.39%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedule are disclosed in Note 9 to the financial statements.

**LAURENS COUNTY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
OTHER POST-EMPLOYMENT BENEFITS**

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Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</b>
7/1/2007	\$ -	\$ 8,454,834	\$ 8,454,834	- %	\$ 10,892,737	77.62 %
7/1/2010	-	12,085,724	12,085,724	-	11,301,323	106.94
7/1/2012	-	12,449,459	12,449,459	-	12,361,812	100.71
7/1/2014	-	12,604,917	12,604,917	-	11,761,601	107.17

The assumptions used in the preparation of the above schedule are disclosed in Note 10 to the financial statements.

**COMBINING AND INDIVIDUAL NONMAJOR FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

# LAURENS COUNTY, SOUTH CAROLINA

## NONMAJOR GOVERNMENTAL FUNDS

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### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Community Development Fund** accounts for grant revenues and expenditures restricted for economic development within the County.

The **Victims' Assistance Fund** is used to account for fines restricted for expenditures related to witnesses in legal proceedings.

The **Rural Fire Fund** accounts for taxes collected which are restricted for rural fire activities.

The **Fire Coordinator Fund** accounts for taxes collected which are restricted for the County fire activities.

The **Special District Fund** accounts for fees-in-lieu of taxes which are restricted for economic development.

### DEBT SERVICE FUND

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The **Laurens Rural Fire Department Debt Service Fund** accounts for the resources used for the payment of the County's principal and interest on various fire department debt obligations.

The **Special Source Revenue Bond Debt Service Fund** accounts for the resources used for the payment of the County's principal and interest on various economic development debt obligations.

The **General Obligation Bond Debt Service Fund** accounts for the resources used for the payment of the County's principal and interest on various County debt obligations.

# LAURENS COUNTY, SOUTH CAROLINA

## NONMAJOR GOVERNMENTAL FUNDS

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### CAPITAL PROJECTS FUND

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities for the County's governmental funds.

The **C Funds Fund** is used to account for the intergovernmental funds received from the state that are restricted to improve and repair the County road system.

The **Fire Capital Reserve Fund** is used to account for property taxes received that are restricted for fire department capital projects.

The **Detention Center Fund** is used to account for property taxes received that are restricted for detention center capital projects.

The **Economic Grant Fund** is used to account for grants received that are restricted for economic development capital projects.

# LAURENS COUNTY, SOUTH CAROLINA

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

ASSETS	Special Revenue Funds				
	Community Development	Victims Assistance	Rural Fire	Fire Coordinator	Special District
Cash and cash equivalents	\$ 7,354	\$ -	\$ -	\$ -	\$ -
Taxes receivable	-	-	207,305	25,788	-
Accounts receivable	-	9,076	5,763	297	-
Due from other funds	-	-	416,791	376,588	615,781
Due from other governments	20,195	-	-	-	-
Total assets	\$ 27,549	\$ 9,076	\$ 629,859	\$ 402,673	\$ 615,781
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 947	\$ 17,735	\$ 3,059	\$ 303,000
Accrued expenses	-	-	-	6,706	-
Due to other funds	-	112,088	-	-	-
Due to other governments	20,195	-	-	-	-
Unearned revenue	7,354	-	-	-	-
Total liabilities	27,549	113,035	17,735	9,765	303,000
<b>DEFERRED INFLOW OF RESOURCES</b>					
Unavailable revenue - property taxes	-	-	200,463	24,940	-
Total deferred inflow of resources	-	-	200,463	24,940	-
<b>FUND BALANCES</b>					
Restricted for:					
Debt service	-	-	-	-	-
Public safety	-	-	411,661	367,968	312,781
Capital outlay	-	-	-	-	-
Unassigned (deficit)	-	(103,959)	-	-	-
Total fund balances	-	(103,959)	411,661	367,968	312,781
Total liabilities, deferred inflow of resources and fund balances	\$ 27,549	\$ 9,076	\$ 629,859	\$ 402,673	\$ 615,781

Debt Service Funds			Capital Projects Funds				Total
Laurens Rural Fire Department	Special Source Revenue Bond	General Obligation Bond	C Funds	Fire Capital Reserve	Detention Center	Economic Development Grant	
\$ -	\$ -	\$ -	\$ 1,506,802	\$ -	\$ -	\$ -	\$ 1,514,156
1,444	-	122,920	-	22,708	-	-	380,165
-	-	-	-	-	-	-	15,136
76,523	5,370	917,885	-	559,072	-	130,362	3,098,372
-	-	-	-	-	-	-	20,195
<u>\$ 77,967</u>	<u>\$ 5,370</u>	<u>\$ 1,040,805</u>	<u>\$ 1,506,802</u>	<u>\$ 581,780</u>	<u>\$ -</u>	<u>\$ 130,362</u>	<u>\$ 5,028,024</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 324,741
-	-	-	-	-	-	-	6,706
-	129,379	-	-	-	51,467	-	292,934
-	-	-	-	-	-	-	20,195
-	-	-	-	-	-	-	7,354
-	<u>129,379</u>	-	-	-	<u>51,467</u>	-	<u>651,930</u>
1,469	-	118,563	-	21,865	-	-	367,300
<u>1,469</u>	-	<u>118,563</u>	-	<u>21,865</u>	-	-	<u>367,300</u>
76,498	-	922,242	-	-	-	-	998,740
-	-	-	-	-	-	-	1,092,410
-	-	-	1,506,802	559,915	-	130,362	2,197,079
-	(124,009)	-	-	-	(51,467)	-	(279,435)
<u>76,498</u>	<u>(124,009)</u>	<u>922,242</u>	<u>1,506,802</u>	<u>559,915</u>	<u>(51,467)</u>	<u>130,362</u>	<u>4,008,794</u>
<u>\$ 77,967</u>	<u>\$ 5,370</u>	<u>\$ 1,040,805</u>	<u>\$ 1,506,802</u>	<u>\$ 581,780</u>	<u>\$ -</u>	<u>\$ 130,362</u>	<u>\$ 5,028,024</u>

# LAURENS COUNTY, SOUTH CAROLINA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Special Revenue Funds				
	Community Development	Victims Assistance	Rural Fire	Fire Coordinator	Special District
<b>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ 2,366,456	\$ 294,118	\$ 13,749
Intergovernmental	538,144	-	500	856	-
Fines and forfeitures	-	118,121	-	-	-
Interest income	-	45	-	-	153,867
Other revenues	-	-	-	25	-
Total revenues	538,144	118,166	2,366,956	294,999	167,616
<b>Expenditures:</b>					
Current:					
Public safety	-	173,055	2,194,506	281,012	-
Housing and development	538,144	-	-	-	403,000
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	153,000	-	-
Interest	-	-	-	-	-
Total expenditures	538,144	173,055	2,347,506	281,012	403,000
Excess (deficiency) of revenues over (under) expenditures	-	(54,889)	19,450	13,987	(235,384)
<b>Other financing sources (uses):</b>					
Bond issuance	-	-	-	-	-
Transfers in	-	-	-	-	548,165
Transfers out	-	(49,070)	-	-	-
Total other financing sources (uses)	-	(49,070)	-	-	548,165
Net change in fund balances	-	(103,959)	19,450	13,987	312,781
<b>Fund balances (deficit), beginning of year</b>	-	-	392,211	353,981	-
<b>Fund balances (deficit), end of year</b>	\$ -	\$ (103,959)	\$ 411,661	\$ 367,968	\$ 312,781

Debt Service Funds			Capital Projects Funds				Total
Laurens Rural Fire Department	Special Source Revenue Bond	General Obligation Bond	C Funds	Fire Capital Reserve	Detention Center	Economic Development Grant	
\$ -	\$ 300,335	\$ 1,199,569	\$ -	\$ 279,674	\$ -	\$ -	\$ 4,453,901
-	-	-	1,780,994	-	-	241,109	2,561,603
-	-	-	-	-	-	-	118,121
36	-	2,779	162	-	-	-	156,889
-	-	-	-	-	-	-	25
36	300,335	1,202,348	1,781,156	279,674	-	241,109	7,290,539
-	-	-	-	-	-	-	2,648,573
-	-	-	-	-	-	-	941,144
-	-	-	1,589,467	-	-	786,789	2,376,256
-	256,000	795,455	-	193,533	-	-	1,397,988
-	49,368	282,205	-	53,226	-	-	384,799
-	305,368	1,077,660	1,589,467	246,759	-	786,789	7,748,760
36	(5,033)	124,688	191,689	32,915	-	(545,680)	(458,221)
-	-	-	-	-	-	676,042	676,042
-	-	-	-	-	-	-	548,165
-	(129,379)	-	-	-	-	-	(178,449)
-	(129,379)	-	-	-	-	676,042	1,045,758
36	(134,412)	124,688	191,689	32,915	-	130,362	587,537
76,462	10,403	797,554	1,315,113	527,000	(51,467)	-	3,421,257
\$ 76,498	\$ (124,009)	\$ 922,242	\$ 1,506,802	\$ 559,915	\$ (51,467)	\$ 130,362	\$ 4,008,794

# LAURENS COUNTY, SOUTH CAROLINA

## AGENCY FUNDS

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**Treasurer** – This fund is used to account for all receipts collected and forwarded to the County and other government units.

**Clerk of Courts** – This fund is used to account for fines, fees and other moneys collected by the court and remitted to other parities in accordance with court orders and state law.

**LAURENS COUNTY, SOUTH CAROLINA**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

**JUNE 30, 2015**

<b>ASSETS</b>	<b>Treasurer</b>	<b>Clerk of Courts</b>	<b>Total</b>
Cash	\$ 21,128,466	\$ 182,338	\$ 21,310,804
Taxes receivable	4,406,200	-	4,406,200
<b>Total assets</b>	<b>\$ 25,534,666</b>	<b>\$ 182,338</b>	<b>\$ 25,717,004</b>
 <b>LIABILITIES</b>			
Due to others	\$ 21,128,466	\$ 182,338	\$ 21,310,804
Uncollected taxes	4,406,200	-	4,406,200
<b>Total liabilities</b>	<b>\$ 25,534,666</b>	<b>\$ 182,338</b>	<b>\$ 25,717,004</b>

# LAURENS COUNTY, SOUTH CAROLINA

## SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES VICTIMS' ASSISTANCE FUNDS

JUNE 30, 2015

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### Court fines

Court fines collected	\$	1,347,878
Court fines retained by County		<u>1,010,352</u>
Court fines remitted to State Treasurer	\$	<u><u>337,526</u></u>

### Court assessments

Court assessments collected	\$	391,526
Court assessments retained by County		<u>37,108</u>
Court assessments remitted to State Treasurer	\$	<u><u>354,418</u></u>

### Court surcharges

Court surcharges collected	\$	283,509
Court surcharges retained by County		<u>37,476</u>
Court fines remitted to State Treasurer	\$	<u><u>246,033</u></u>

### Victims' assistance

Court assessments allocated to victims' assistance	\$	37,108
Court surcharges allocated to victims' assistance		37,476
Intergovernmental funds		68,274
Local funds		<u>41,617</u>
Funds allocated to victims' assistance		184,475
Victims' assistance expenditures		<u>(184,475)</u>
Funds available for carryforward		-
Funds carried forward from prior year		-
Funds available for carryforward to subsequent year	\$	<u><u>-</u></u>

# **COMPLIANCE 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***

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**Laurens County Council  
of Laurens County, South Carolina  
Laurens, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Laurens County, South Carolina (the "County") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Laurens County, South Carolina's basic financial statements and have issued our report thereon dated December 29, 2015. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, as of July 1, 2014.

**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.

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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. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Laurens County, South Carolina'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*.

### **Purpose of this Report**

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

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 29, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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**Laurens County Council  
of Laurens County, South Carolina  
Laurens, South Carolina**

**Report on Compliance for Each Major Federal Program**

We have audited Laurens County, South Carolina's (the "County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended June 30, 2015. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on the 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 the major federal program for the year ended June 30, 2015.

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## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
December 29, 2015

**LAURENS COUNTY, SOUTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Federal Expenditures</b>
<b>U.S. Homeland Security Administration</b>			
Passed through South Carolina Law Enforcement Division			
Local Emergency Management Performance	97.042	13EMPG01	\$ 32,016
Local Emergency Management Performance	97.042	14EMPG01	38,095
Total U.S. Homeland Security Administration			<u>70,111</u>
<b>U.S. Department of Justice</b>			
Passed through Office of the Justice Program			
Edward R. Byrne Justice Assistant Grant	16.738	2012-DJ-BX-1140	22,384
Bulletproof Vest Partnership Program	16.738	2013-DJ-BX-1440	666
Total JAG Program			<u>23,050</u>
Total U.S. Department Justice			<u>23,050</u>
<b>U.S. Department of Transportation</b>			
Direct Award			
Airport Improvement Grant	20.106	3-45-0036-012-2012	78,876
Total U.S. Department of Transportation			<u>78,876</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through South Carolina Department of Social Services			
Child Support Enforcement	93.563		167,810
Total U.S. Department of Health and Human Services			<u>167,810</u>
<b>U.S. Department of Housing &amp; Urban Development</b>			
Passed through State Department of Commerce			
CDBG - State Administered CDBG Cluster	14.228	4-CL-12-018	15,013
CDBG - State Administered CDBG Cluster	14.228	4-CL-13-012	445,104
CDBG - State Administered CDBG Cluster	14.228	4-CL-14-013	9,000
Total CDBG - State Administered CDBG			<u>469,117</u>
Total U.S. Department of Housing & Urban Development			<u>469,117</u>
<b>U.S. Department of Interior</b>			
Passed through State Department of Parks, Recreation & Tourism			
National Park Service, Trails and Conservation Assistance	15.225	45-01106	46,897
Total U.S. Department of Interior			<u>46,897</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 855,861</u></b>

# LAURENS COUNTY, SOUTH CAROLINA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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### **NOTE I. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Laurens County, South Carolina (the "County"), and is presented on the modified accrual basis of accounting for governmental fund types. The County is reporting entity is defined in Note 1.A. to the County's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **NOTE II. NONCASH ASSISTANCE AND LOANS**

There were no federal awards expended in the form of noncash assistance during the fiscal year. There were also no loans or loan guarantees outstanding at year end.

**LAURENS COUNTY, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
 Material weaknesses identified? \_\_\_ yes X no

Significant deficiencies identified not considered  
 to be material weaknesses? \_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_ yes X no

**Federal Awards**

Internal Control over major programs:  
 Material weaknesses identified? \_\_\_ yes X no

Significant deficiencies identified not considered  
 to be material weaknesses? \_\_\_ yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in  
 accordance with OMB Circular A-133, Section 510(a)? \_\_\_ yes X no

Identification of major programs:

CFDA Number  
 14.228

Name of Federal Program or Cluster  
 CDBG – State Administered CDBG

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes \_\_\_ no

**LAURENS COUNTY, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

# LAURENS COUNTY, SOUTH CAROLINA

## SCHEDULE OF PRIOR YEAR FINDINGS

### FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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#### **2014-001. Financial Reporting Entity**

**Criteria:** Governmental Accounting Standards define a component unit as a legally separate organization for which the primary government is financially accountable or closely related.

**Condition:** The County improperly included funds being held by rural fire department in the County's financial statements in prior years. These entities are legally separate from the County and the County has no oversight or fiscal responsibility.

**Status of Finding:** Finding corrected in the current year.